

A BUDGET FOR BERKELEY

THE 1980-81
BALANCING ACT

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY

UNIVERSITY OF CALIFORNIA

no def

City of Berkeley



Eugene "Gus" Newport
MAYOR

Office of the Mayor

BUDGET MESSAGE

July 26, 1979

The fiscal year 1979-80 budget I am proposing tonight is the result of an exhaustive look at the policies and programs administered by the City.

Despite initial skepticism, the investment of time in the Citizens' Budget Review Committee was a tremendous bargain for all Berkeley citizens, and particularly for members of the City Council and City Staff.

In a relatively short period of time, the twenty seven Berkeley residents who made up this committee provided the Council with a fresh, and thorough scrutiny of City expenditures and revenues. From this scrutiny emerged a series of recommendations which gave the City Council desperately needed alternatives to the original proposed Acting City Manager's budget.

It is in large measure these recommendations which make up the framework of the budget I am proposing tonight. Yet, the final responsibility for the budget is mine together with eight other members of the Council, and we must make the decisions, no matter how agonizing.

In addition to the work of the Citizens' Committee, Council has received numerous suggestions from staff, members of the community, community organizations and persons affected directly by decisions on particular programs.

As we approached the development of a budget this year, our considerations were complicated again and again by large changes in the projected state bailout. In fact, the final dollar amount of the bailout remains uncertain even at this time.

This uncertainty is symptomatic of a larger uncertainty. In facing the new fiscal realities after Proposition 13, and in facing a national government which has grown increasingly more conservative in its social policies, the City Council, and the entire population of our city is faced with a tremendous challenge.

We must act responsibly to provide the basic services that our citizens expect and deserve from our Police, Fire and Library departments. But at the same time, we must take aggressive, positive steps wherever possible to meet the cultural, social and economic needs of our citizens.

These needs are no less important than protective services. To many of our people, they are the first priority. The Council must strike a reasonable, safe balance between these needs, and I am confident that this budget strikes that balance, and meets those needs, to the best of our ability at this time.

We are mandated by these circumstances to take a very strong position on reduction of waste, elimination of duplicated effort, and minimizing administrative overhead. In these areas, the Citizens Committee has been particularly valuable. A little skepticism and sunshine can be very helpful. The most well-intentioned Manager or Council cannot match the hard cold look at these questions of an unbiased and conscientious body of citizens.

The budget I am presenting tonight is balanced, and represents a balance of the needs of Berkeley's people.

This is a living and breathing document. We have asked the Citizens' Committee to continue assisting us in the coming year as we make the necessary shifts in revenues and expenditures dictated by events and future Council decisions. And as we continue to streamline the operations of City Hall, with an eye to delivering the maximum possible value, the most efficient service, for every tax and grant dollar.

The work on the budget and particularly the public hearings were a very humbling experience. It is clear that under the present circumstances, city government cannot meet all the needs of the people of Berkeley to the extent that we should. In facing up to this fact, we must remember to consider first those of our people who are least able to endure a limitation or elimination of service.

This is particularly true of Berkeley citizens who are poor, who are unemployed, seniors who live on fixed incomes. And it is true of our minority citizens, who have historically paid a cruel price for their ancestry.

To the extent legally possible, I will work to prevent any erosion of any of the long overdue gains for women and minorities under the City's affirmative action program. Similarly, we must commit ourselves to oppose unfair reductions in the standard of living and job security of city employees.

In facing the difficult decisions contained in this budget, and in discussing modifications both now and throughout the year, I am confident that Councilmembers will recognize the need to develop revenue and to support services conscientiously, and above all, equitably.

In addition to the continued work by both the Council and the Citizens' Committee, I propose to continue the hiring freeze, and to request that the Manager bring before the Council any city staff positions prior to the public announcement of vacancy and recruitment.

Further, I propose that the City Council review the financial condition of the City each fiscal quarter.

I therefore will entertain a motion to adopt the budget as attached. The figures you have received represent all changes in both expenditures and revenues, using the original proposed City Budget as a base document.



Digitized by the Internet Archive
in 2025 with funding from
State of California and California State Library

<https://archive.org/details/C123314163>

CITY OF BERKELEY
ADOPTED BUDGET
FISCAL YEAR 1979-80

| <u>Department</u> | <u>Adopted Budget</u> |
|-------------------------------------|-----------------------|
| Auditor | \$ 227,392 |
| Citizens' Assistant | 38,429 |
| City Clerk | 228,410 |
| City Manager | 19,235,687 |
| Comprehensive Planning | 458,658 |
| Finance | 3,468,232 |
| Fire | 4,200,591 |
| Housing and Development | 3,482,139 |
| Legal | 482,420 |
| Library | 1,728,925 |
| Mayor and Council | 165,715 |
| Personnel | 395,339 |
| Police | 6,030,824 |
| Public Health | 3,969,694 |
| Public Works | 14,925,137 |
| Employee Benefits and Miscellaneous | <u>26,061,404</u> |
| Total | \$ 85,098,996 |

AUDITOR

PROPOSED BUDGET \$219,224

ADOPTED BUDGET \$227,392

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|--------------------|------------------------|-----------------------|
| General Fund Local | \$140,997 | \$149,165 |
| CETA | 73,227 | 73,227 |
| CSA | 5,000 | 5,000 |

CITIZENS' ASSISTANT

PROPOSED BUDGET \$38,221

ADOPTED BUDGET \$38,429

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|--------------------|------------------------|-----------------------|
| General Fund Local | \$38,221 | \$38,429 |

CITY CLERK

PROPOSED BUDGET \$213,492

ADOPTED BUDGET \$228,410

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|--------------------|------------------------|-----------------------|
| General Fund Local | \$171,838 | \$186,756 |
| CETA | 31,954 | 31,954 |
| BHA | 3,000 | 3,000 |
| BRA | 6,000 | 6,000 |
| CSA | 700 | 700 |

CITY MANAGER

PROPOSED BUDGET \$18,328,830

ADOPTED BUDGET \$19,235,687

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|--------------------------|------------------------|-----------------------|
| General Fund Local | \$1,062,414 | \$1,908,586 |
| CETA | 15,305,544 | 15,305,544 |
| CDBG | 861,421 | 859,161 |
| BRA | 72,000 | 72,000 |
| CSA | 468,697 | 480,802 |
| USDA Commodity Foods | 42,752 | 42,752 |
| CCCJ Community Resources | 18,756 | 18,756 |
| State Youth Lunch | 26,000 | 26,000 |
| Senior Nutrition | 240,428 | 240,428 |
| Playground Camps | 230,818 | 281,658 |

COMPREHENSIVE PLANNING

PROPOSED BUDGET \$449,031

ADOPTED BUDGET \$458,658

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|--------------------|------------------------|-----------------------|
| General Fund Local | \$242,227 | \$242,854 |
| CDBG | 100,797 | 100,797 |
| Paratransit | 28,000 | 37,000 |
| Subsidized Taxi | 78,007 | 78,007 |

FINANCE

PROPOSED BUDGET \$3,175,151

ADOPTED BUDGET \$3,468,232

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|--------------------|------------------------|-----------------------|
| General Fund Local | \$1,044,943 | \$1,132,740 |
| CETA | 69,683 | 69,683 |
| BRA | 5,000 | 5,000 |
| Warehouse | 565,370 | 566,224 |
| Parking Meter | 903,500 | 1,135,197 |
| Off-Street Parking | 586,655 | 559,388 |

FIRE

PROPOSED BUDGET \$3,428,602

ADOPTED BUDGET \$4,200,591

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|--------------------|------------------------|-----------------------|
| General Fund Local | \$2,219,602 | \$2,903,735 |
| Revenue Sharing | 1,209,000 | 1,296,856 |

HOUSING AND DEVELOPMENT

PROPOSED BUDGET \$3,450,786

ADOPTED BUDGET \$3,482,139

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|-------------------------|------------------------|-----------------------|
| General Fund Local | \$ 520,959 | \$ 550,052 |
| CDBG | 1,514,631 | 1,516,891 |
| Housing Rehab Revolving | 203,000 | 203,000 |
| BHA | 1,212,196 | 1,212,196 |

LEGAL

PROPOSED BUDGET \$411,977

ADOPTED BUDGET \$482,420

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|--------------------|------------------------|-----------------------|
| General Fund Local | \$200,178 | \$270,621 |
| CETA | 20,799 | 20,799 |
| Public Liability | 175,000 | 175,000 |
| BRA | 6,000 | 6,000 |
| BHA | 10,000 | 10,000 |

LIBRARY

PROPOSED BUDGET \$1,506,790

ADOPTED BUDGET \$1,728,925

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|---------------------|------------------------|-----------------------|
| Library Fund | \$1,423,450 | \$1,638,917 |
| CDBG | 83,340 | 83,340 |
| Library Improvement | -0- | 6,668 |

MAYOR AND COUNCIL

PROPOSED BUDGET \$160,968

ADOPTED BUDGET \$165,715

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|--------------------|------------------------|-----------------------|
| General Fund Local | \$160,968 | \$165,715 |

PERSONNEL

PROPOSED BUDGET \$364,168

ADOPTED BUDGET \$395,339

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|--------------------|------------------------|-----------------------|
| General Fund Local | \$327,256 | \$358,427 |
| CETA | 36,912 | 36,912 |

POLICE

PROPOSED BUDGET \$5,403,028

ADOPTED BUDGET \$6,030,824

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|-------------------------|------------------------|-----------------------|
| General Fund Local | \$5,403,028 | \$5,942,289 |
| Motor Vehicle Road Fund | -0- | 88,535 |

PUBLIC HEALTH

PROPOSED BUDGET \$3,806,727

ADOPTED BUDGET \$3,969,694

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|---|------------------------|-----------------------|
| General Fund Local | \$923,755 | \$1,086,722 |
| CDBG | 202,999 | 202,999 |
| High Blood Pressure Research | 179,725 | 179,725 |
| State Health (General) | 921,988 | 921,988 |
| State Health (Special Public Health) | 50,000 | 50,000 |
| State Health (Short-Doyle) | 725,153 | 725,153 |
| County Health (Short-Doyle) | 433,550 | 433,550 |
| County Health (General) | 241,121 | 241,121 |
| Child Health | 128,436 | 128,436 |

PUBLIC WORKS

PROPOSED BUDGET \$14,743,192

ADOPTED BUDGET \$14,925,137

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|--------------------------------------|------------------------|-----------------------|
| General Fund Local | \$4,415,392 | \$4,479,852 |
| CDBG | 578,884 | 578,884 |
| Special Gas Tax | 1,141,969 | 1,225,504 |
| Motor Vehicle Road | 185,000 | 125,594 |
| Sanitary Sewer | 1,323,476 | 1,316,050 |
| Equipment Maintenance | 1,152,740 | 1,238,336 |
| Equipment Replacement | 439,990 | 455,176 |
| Capital Improvement Local | -0- | -0- |
| Street Improvement | 1,328,000 | 1,328,000 |
| Refuse Disposal and Development | 700,000 | 700,000 |
| Waterfront & Marina Development | 200,000 | 200,000 |
| Marina Operations and Maintenance | 1,283,930 | 1,283,930 |
| State Park Lands | 512,300 | 512,300 |
| Measure Y | 1,481,511 | 1,481,511 |

EMPLOYEE BENEFITS

PROPOSED BUDGET \$25,444,506

ADOPTED BUDGET \$26,061,404

| | <u>Proposed Budget</u> | <u>Adopted Budget</u> |
|--------------------------------------|------------------------|-----------------------|
| General Fund Local | \$12,032,338 | \$12,686,549 |
| CDBG | 4,491,650 | 4,491,650 |
| Marina Operations and Maintenance | 267,870 | 308,532 |
| Special Gas Tax | 1,130,969 | -0- |
| Workers' Compensation | 700,000 | 700,000 |
| Revenue Sharing | 1,209,000 | 1,296,856 |
| Special Public Health | 50,000 | 54,767 |
| Motor Vehicle Road | 185,000 | 214,129 |
| Street Improvement | 222,000 | 173,763 |
| 1961 Storm Drain Bond | 128,000 | 137,181 |
| Refuse Disposal Development | 1,488,660 | 1,731,122 |
| Martin Luther King, Jr. | 346,388 | 344,588 |
| Model Cities | 72,814 | 73,093 |
| CDBG - General Fund | 907,578 | (468,337) |
| 1972 Library Bond | 70,155 | 78,561 |
| Equipment Maintenance | 439,990 | 439,990 |
| Series C Off-Street Parking | 12,000 | 9,133 |
| State Health - General | 150,000 | 150,000 |
| Waterfront and Marina Development | 90,000 | 417,291 |
| Capital Improvement Local | 100,000 | 147,586 |
| Housing Rehab Loan | 231,585 | 189,317 |
| Library Improvement | 1,000 | -0- |
| Measure Y | 1,117,509 | 2,755,072 |
| Sanitary Sewer | -0- | 130,561 |

Berkeley City Council Cuts Police Jobs and Budget

Special to The New York Times

BERKELEY, Calif., Oct. 7 — Political radicals clashed with the police here recently, but the confrontation took place in the City Council chamber, not in the streets.

A leftist political organization that became the dominant force on the City Council here last April engineered the passage of a city budget that cut \$500,000 from the Berkeley Police Department and gave it to community agencies, including the countercultural Free Clinic.

The budget cut eliminated 10 uniformed police jobs and eight civilian police jobs already vacant from a previ-

ously imposed hiring freeze, and may make it necessary to lay off four more civilian employees next year. The cuts also require demotion of some supervisory police personnel to patrol rank.

Lieut. Peter Meredith, a spokesman for the police force, said the budget cuts would "severely hamper" law enforcement in Berkeley, where the crime rate increased 5 percent last year, and would reduce promotional opportunities for newly recruited officers who are members of minority groups.

Veronika Fukson, a member of the City Council and of the Berkeley Citizens Action, the self-styled progressive group

that controls four seats on the nine-member council, said the budget eliminated administrative jobs throughout city government and cut the police force "not as a slap in the face but because it was administratively top-heavy."

She added that direct police services had been augmented by the reinstatement of the sex-crimes unit and of school crossing guards, whose jobs had been scheduled to be eliminated under the city manager's initial budget proposal.

Councilman William Segesta, a member of the traditionally liberal Berkeley Democratic Club, which lost control of the City Council to the leftist faction last

spring, said he "could live with" the budget but added that he did not consider the police department to be administratively top-heavy.

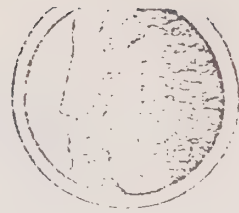
Funds earmarked for community agencies were not specifically allocated. Those allocations are scheduled to be made next month, after the city's Human Resources and Welfare Commission reviews \$2 million in budget requests from more than 30 groups and makes recommendations to the City Council. With less than \$700,000 available to community agencies, competition for these funds is expected to be fierce.

Passage of the \$34 million budget, which was delayed for three months, fulfilled a campaign promise by the Berkeley Citizens Action group to restore

\$700,000 cut from community agencies' budgets last year after the passage in June 1978 of Proposition 13, which sharply reduced property taxes and locally generated city revenues.

Eve Bach, chairman of a citizens' group that made budget recommendations to the City Council, said the Berkeley Police Department's budget had not been cut as a result of Proposition 13.

City of Berkeley



CITY MANAGER'S OFFICE
211 MELBA STREET
BERKELEY, CALIFORNIA 94704

(415) 841-6580

FOR COUNCIL ACTION

July 17, 1979

To: Honorable Mayor and
Members of the City Council

From: Citizens' Budget Review Committee

Subject: 1979-80 BUDGET RECOMMENDATIONS

I am delighted to present the Citizens' Budget Review Committee report to you as promised. Since the 27 of us first came together on June 4, 1979, we have met nine times for a total of about 40 hours. That is both a large number and a small one - large, in the sense that so many private citizens were willing to devote these hours, plus many more in subcommittee and in researching the issues; but the time was short with respect to the work we accomplished.

Despite our varying views on other subjects, we are all very proud of our efforts to understand and modify the City's budget.

We are also unanimous in our appreciation for the staff help we have received from Hal Cronkite. He has known the answers to many of our questions and was able to find the rest. He recorded and organized our proposals so that discussion could move forward easily, and intervened to prevent us from making embarrassing errors. Beyond this, he remained good humored and alert when the rest of us were bleary-eyed with fatigue.

REPORT OUTLINE

The main body of our report consists of line item changes we are recommending in the City Manager's budget for 1979-80. Some of the items correspond exactly with alterations he himself has proposed. The remainder were developed by Committee members, initially working in subcommittees, then brainstorming as a full group, and finally approved on an item-by-item basis.

We have also included two sets of policy changes. The first recommendations immediately concern the 1979-80 budget while the second list has longer range implications. Both sets of policy recommendations represent the broad range of Committee members' views. We did not vote either to endorse or exclude any ideas that were offered.

1979-80 BUDGET RECOMMENDATIONS

July 17, 1979

Page 2

Our proposed budget alterations fall into eight (8) categories:

Reduced expenditures;
Reallocated costs;
Reestimated revenue projections;
Revised fee schedules;
Implementation of taxes already on the books;
Automobile-related revenues;
Expenditures restored to prior year levels; and
New expenditures.

REDUCED EXPENDITURES

To reduce the costs of City services, we explored whether vacant positions -- especially those at the higher levels -- could be eliminated. In many instances, we feel that reduced staffing can stimulate internal reorganization, with lower priority tasks simplified or even abandoned. A result of this approach is that our budget eliminates fewer positions than the City Manager's, with a fraction of the lay-offs, while maintaining a significantly higher level of service to the public.

NUMBER OF POSITIONS ELIMINATED
DISCRETIONARY FUNDS

| Department | Manager's Original Budget | Manager's Revised Budget | Citizens' Committee Budget |
|---|------------------------------|-----------------------------|-------------------------------|
| Police | 46.5 | 46.5 | 19 |
| Fire | 24 | 2 | 2 |
| Library | 13 | 13 | 0 |
| Public Works | 9 | 9 | 12* |
| Housing & Dev. | 3.5 | 3.5 | 3.5 |
| Other | 6 | 3 | 4.75 |
| Total | 102 | 77 | 41.25 |
| Lay-offs Required | 65.5 | 49.5 | 11 |
| Positions Eliminated at Point of Service | 83.04 | 56.04 | 11.5 |

*Unrelated to Curbside Pickup

1979-80 BUDGET RECOMMENDATIONS

July 17, 1979

Page 3

In addition, we reduced some of the special benefits that have been available in the past to higher level employees, such as the payment of professional dues and the provision of City cars overnight.

In the one instance where we agreed that service level reductions are necessary - in the form of curbside garbage pickup - we felt the cuts can be easily absorbed by most households, and we made provisions for assisting those who cannot easily adapt, such as the elderly and disabled. We have specified that this program change be implemented in such a way that it causes no lay-offs.

REALLOCATED COSTS

In effect, we transferred money from special funds with surpluses into the discretionary budget for unrestricted use. In most cases, our recommendations coincide with revisions the City Manager has made in his budget.

REESTIMATING REVENUE PROJECTIONS

Our Committee projected higher revenues for the coming year than the Manager's budget from the sales tax, transient occupancy tax, business license tax and utility franchise payments. We set aside a portion of the additional estimated revenues in a special contingency fund.

REVISING FEE SCHEDULES

Services of the City that formerly were wholly supported by property taxes (such as fire inspections of public places) or partially supported (such as building inspections) can become self-sufficient in a post-prop 13 era. We are recommending fee development and revisions to accomplish this goal and at the same time flatten out regressive rates so that every user is fairly charged.

IMPLEMENTING TAXES ALREADY ON THE BOOKS

Like the City Manager, the Citizens' Budget Committee recommends implementing the property transfer tax. This is paid by the seller only when real estate is sold. All single family residences occupied by the owner for five years or more are exempt from this tax (as well as half the value of duplexes that meet those conditions).

We also are recommending implementation of the parking lot tax - 10% on the receipts of private and City lots.

AUTOMOBILE RELATED REVENUES

In addition to the parking lot tax, we are recommending increased parking fines (raised from \$3.00 to \$6.00) and 260 new parking meters for Solano Avenue as sources of increased revenue. In the last year, tax revenues related to automobiles have lagged. Gas taxes, for example, are based on

1979-80 BUDGET RECOMMENDATIONS

July 17, 1979

Page 4

the number of gallons purchased rather than their dollar amount.

RESTORATION OF EXPENDITURES

On the expenditure side of the budget, we made three major entries. We are recommending full restoration of the Library budget to last year's level. Like the City Manager in his revised budget, we support keeping all the fire stations open. We also propose to restore community service agencies funding at the 1977-78 level of funding.

In all cases, we feel that investments of City funds in prior years would be wasted without these restorations. For example, the Library improvement program of the past few years has resulted in beautiful branch libraries that would serve none when they are closed.

Contracts with community service agencies, including children's services, health, bilingual, crisis-oriented, recycling and cultural services similarly represent an investment. The agencies that have received City support in the past have established a track record for providing low income and other people with special needs with services that are high in quality and low in cost (cost effectiveness in the truest sense).

NEW EXPENDITURES

Only a very few low cost items appear in this category. They provide for the needs of deaf people and blind people with respect to City government and health care, new hoses for the Fire Department and two court-related programs (one where arrested people with mental health problems are referred to appropriate help and an OR Program).

MEETING WITH THE COUNCIL

So that we may discuss our recommendations with you more fully, we would appreciate a meeting where our report is the only item on the agenda. We propose such a meeting on Thursday evening (July 19, 1979).

CONTINUATION OF THE CITIZENS' BUDGET REVIEW COMMITTEE

I would like to conclude this report with a resolution that we unanimously favor:

CITIZENS BUDGET REVIEW COMMISSION

The first Citizens Budget Review Commission was formed in the latter part of the budgetary process, causing considerable problems in the execution of its charge. Nonetheless, despite severe time restraints, we believe the activity of the committee is important and should be a continuing part of the budgetary process.

1979-80 BUDGET RECOMMENDATIONS

July 17, 1979

Page 5

It is for this reason that the committee requests an extension of its charge, bringing it in line with other existing boards and commissions under the Fair Representation Ordinance. It is the committee's feeling that in order to more efficiently carry out its charge, the Citizens Budget Review Committee should function year round as a 27 member committee. Only in this way can said committee better understand the workings of city government and the nature of the impact of budget decisions on the services provided to Berkeley residents, and offer well informed suggestions to Council.

Some of the tasks of this committee, if continued, could immediately begin addressing formulating a budget process in conjunction with existing Boards and Commissions, developing a long range budget, insuring greater understanding, and input by Berkeley residents in the budgetary process; investigating new sources of revenues; and participate in the development of a process to evaluate existing departments, community service agencies, and programs for cost effectiveness and possible duplication of services.

Attachments:

1. Citizens' Budget Review Committee's FY 1979-80 Discretionary Budget.
2. Policies to be Considered in Conjunction with the Adoption of FY 1979-80 Budget.
3. Long-Range Plans.
4. Vote Tally on Issues Considered by the Committee.

CITIZENS' BUDGET REVIEW COMMITTEE'S

ATTACHMENT 1

FY 1979-80 DISCRETIONARY BUDGET

Revenue

| | |
|--------------------------------|---------------------|
| City Mgr.'s Proposed Budget | \$30,614,454 |
| Revenue Sharing | 83,700 |
| Documentary Stamp Tax | (71,000) |
| Camps, Inc. | 19,000 |
| Property Tax | 80,000 |
| Bailout | 200,000 |
| Fees, July | (17,500) |
| Transfer Tax, September | (100,000) |
| Transient Occupancy | 75,000 |
| Business Licenses | 60,000 |
| Sales Tax | 200,000 |
| Fines and Penalties | (100,000) |
| Franchises | 12,000 |
| Auto-in-Lieu | 20,000 |
| Cigarette Tax | (5,000) |
| Reappropriations | 187,074 |
| Ambulance Billing | 79,163 |
| Bldg. Permits 1.3% 9 mos. | 102,000 |
| Zoning Fee Correction | 2,000 |
| Sales Tax Change CM Estimate | 42,000 |
| Transient Occupancy Tax | |
| Change CM Estimate | 17,000 |
| Business License Tax Change | |
| CM Estimate | 29,000 |
| Franchises Change CM Estimate | 13,000 |
| Transfer from Marina Fund | |
| (Indirect Costs) | 110,000 |
| Model Cities Loan Repayments | 30,000 |
| Increase Parking Fines 9 mos. | 513,000 |
| Parking Meters Solano | 80,000 |
| Spay and Neuter Clinic | 84,000 |
| Increase 15 Fees by 10% Rather | |
| Than by 7% 10 mos. | 9,000 |
| Parking Lot Tax 8 mos. | 16,000 |
| Tennis | (2,000) |
| Transfer from Sanitary Sewer | 94,000 |
| Increase Parking Lot Fees 10% | 25,000 |
| Fire Inspection and Re- | |
| Inspection Fees | 221,000 |
| Contingency | 76,000 |
| | <u>\$32,797,000</u> |

Expenditures

| | |
|----------------------------------|---------------------|
| City Mgr.'s Proposed Budget | \$30,614,454 |
| Echo Lake | 10,000 |
| PERS | 291,263 |
| Utilities | (100,000) |
| Account Clerk - Ambulance | |
| Billing | 38,000 |
| Extra Expenditures, July | 110,600 |
| Reappropriations | 187,074 |
| Panoramic Hill | (35,000) |
| Health Plans | (83,778) |
| Interest | 40,000 |
| O.R. and Mental Health Projects | 65,000 |
| Parking Meter Installation | 50,000 |
| Spay and Neuter Clinic | 84,000 |
| Combine 2 Refuse Coll. Positions | (16,000) |
| Delete 1 ISC - Pub. Works-Adm. | (16,000) |
| Delete Traffic Mtce. Supervisor | (21,000) |
| Increase Street Cleaning | 34,000 |
| Special Refuse Pickups | 6,000 |
| Delete Undergrounding | (42,000) |
| Add Pest Control Contract | 6,000 |
| General Fund Suppl. to CSA Ag. | 34,000 |
| Community Agency Funding | 663,000 |
| TTY | 3,000 |
| Increase Library | 234,000 |
| Eliminate 1 Buyer | (22,000) |
| Add 1 Computer Operator | 22,000 |
| Citiz. Asst. Delete .75 ISC | (13,000) |
| Citiz. Asst. Transportation | (2,000) |
| Delete Urban Design Planner | (32,000) |
| Braille Writer, Sign Interpreter | |
| and Tapes | 5,000 |
| Civic Arts | (14,000) |
| Restore CM Cuts in Fire Dept. | 640,000 |
| Fire Hose | 6,000 |
| Restore CM Cuts in Police Dept. | 765,000 |
| Cut 19 Positions in Police Dept. | (598,000) |
| .5 Chief, Conserva. & Dev. | (17,000) |
| .1 Dir. of Housing, .1 Asst. | |
| Dir. of Housing | (8,000) |
| Delete Professional Dues | (5,000) |
| Engineers Charged to Cap. Imp. | |
| Fund | (6,000) |
| Tennis Close-Out Costs | 6,000 |
| Curbside Refuse Collection: | |
| 6 mos Savings | (126,000) |
| Transition Costs | 40,000 |
| Eliminate Deputy Chief and | |
| Lieutenant, Fire | (83,000) |
| Fire Station Close Down Costs | (4,000) |
| Title VII Subsidy | 10,000 |
| Unallocated | 76,000 |
| | <u>\$32,797,000</u> |

POLICIES TO BE CONSIDERED
IN CONJUNCTION WITH ADOPTION
OF FY 1979-80 BUDGET*

1. Develop priority list or criteria for community agency funding.
2. Place an advisory referenda on the November, 1979 ballot regarding the implementation of the property transfer tax (bearing in mind that the electorate has already expressed an opinion, and that it would be proper to give citizens an opportunity for reappraisal in light of greater awareness of the financial difficulties facing the City of Berkeley).
3. In reviewing FY 1979-80 budget cuts, the Council should seriously consider the impact on affirmative action.
4. There should be a \$30-\$40 per hour charge for sanitarian inspections charged to code violators for any visits after the initial inspection (which is included in the present base fee).
5. Remove and sell fire alarm boxes.
6. Request bids for alternatives to current Washington representative.
7. Charge Cal. and BARTD for fire services.
8. Request the Housing Advisory and Appeals Board to develop recommendations on allocation of 10% of FY 1979-80 CDBG funds.
9. Consider a management performance audit to be conducted by an outside firm.

* These items were not voted on by the Committee.

LONG RANGE PLANSREVENUE

Sewage Fees to Relate to Use of System
 Review Utility Rates
 Review Building, Engineering, Plan Checking Fees
 Street Light Assessment Districts
 Audit Fee Collections
 Surtax on Corporate Profits
 Feasibility of a City Lottery
 Abolish Cash Basis Fund
 24-Hour, 7 Day Parking Meters
 Increase Traffic Patrol

HUMAN RESOURCES

Senior Center Projections
 Medical Exams, Workers' Comp
 No Funding to Churches
 Reorganization of Recreation Programs
 Health Department to Alameda County - Transfer, Don't Transfer, or Compromise
 Establish Division on Aging in Mayor's Office
 Create Human Resources Department

MUNICIPAL SERVICES

Review Supervisor Position in Electrical Division (Public Works)
 Consider Transferring 2 Traffic Maintenance Workers to Street Maintenance
 Preferential Parking
 Gardening at Bowling Green
 Find Funds for Blue Curb Program

MANAGEMENT AND BUDGET

P.G.&E. Report on Purchasing
 Allocation of Workers' Comp Costs to Departments
 Transfer Economic Planning Function to Redevelopment Agency

PUBLIC SAFETY

Consolidate Communications Systems
 Civilianize Some Police Functions
 Smoke Alarm Ordinance
 Sell Smoke Alarms
 Remove and Sell Fire Alarm Boxes
 Use Fire Houses for Community Purposes
 Municipal Fire Insurance
 Charge Cal and Bart for Fire Services
 Outside Management Study of Police and Fire

HOUSING

Earmark CDBG Loan Repayments
 Evaluate and Reorganize Housing Department
 Transfer Program Planning and Evaluation Unit to City Manager's Office

GENERAL

More Outside Studies
 Renegotiate Contracts
 Establish a Commission on Disabled
 Establish Coordinators in City Manager's Office for Various Program Areas
 Investigate and Expand Job-Sharing Program

July 16, 1979

To: Mayor Newport and Members of the City Council

From: Bailey, Benjamin, Bergen, Bolint, Bonno, Campbell,
Fontanello, Henderson, Rosenberg, Washburn and Yamada

Re: The Citizens' Budget Review Committee Report
Alternative Report

After a considerable amount of work, the Citizens' Budget Review Committee has made its recommendations to Council. In putting together its final budget package, many votes were taken on suggested revenues, cuts and expenditures. Some were of limited impact, others were substantial. Some passed unanimously, others caused great splits among the members of the Committee. This report is an effort to address some of the areas of greatest division.

INFLATED REVENUES

We disagree with a number of the revenues factored into the Committee's proposed budget. Increased estimates for sales tax, business license tax, and franchises are unsupported and are so problematical that no budget expenditures whatsoever should be made against them. We support the concept of fire inspection and re-inspection fees. However, it is irresponsible to assume that any particular revenue, in this case close to a quarter of a million dollars, would be derived from such a program before the details of the program have been presented, let alone approved. In doing so the City is placed in jeopardy, both by using these fees as revenues and then using such revenue to balance the budget.

PUBLIC SAFETY

We deplore the proposed cuts in Public Safety. While we agree that every area of city service should be closely scrutinized in the light of Jarvis-Gann, we think that any decision to eliminate specific functions or positions in Public Safety should only be made after an outside management study. The Committee's proposed cuts of almost \$600,000 were made without an informed evaluation of their impact. A wrong guess about the effect of such a cut could be devastating.

We are also very concerned about the effect of the proposed demotions and lay-offs on the City's hard-won affirmative action profile in Public Safety services.

Citizens' Budget Review Committee Report
Alternative Report
Page Two

COMMUNITY AGENCIES

In contrast to the detailed consideration which was given to services provided by the City, the proposed increased expenditures of almost \$1 million dollars for privately-run services was deliberately left unspecified. In fact, attempts to refine priorities, either for specific agencies or for kinds of services, were ignored.

Perhaps this lack of specificity relates to the question of possible conflict of interest. Many of those of the Citizens' Budget Review Committee are employees or directors of privately-run agencies which have received such funding in the past. However, many of them made the argument that, despite the advice of the City Attorney, they could vote on community agency funding since they didn't know whether their respective agencies would benefit from such a vote.

Finally, we strongly disagree with the Committee's recommendation that the City Council sign contracts for a full years funding for these agencies but only fund 8 months worth in this year's budget. Since this leaves the Council with a compelling obligation to provide the remaining 4 months funding in the 80/81 budget, this amounts to implicit deficit financing which is irresponsible.

STATE BAILOUT

The Committee agreed to present a balanced budget to the Council. In addition to the serious questions we have raised about inflated revenues and reliance on programs that have not yet been tried, the Committee was informed by the City Manager on July 13 of the strong likelihood of a severe cut in the amount of the State bailout money expected by the City. At best, if the State bailout amount remains the same as last year, the Committee's recommendations are \$200,000 in deficit. At worst, the shortfall could be close to \$1 million. As a result of this latest development, we are requesting our chairwoman to call a reconvening of the Committee.

Clarence Bailey
Claudine Benjamin
Jane Bergen
Mary E. O. Bolint

Charles "Jack" Bonno
Howard Campbell
Michael Fontanello

Ann Henderson
Jess Rosenberg
Andrea Washburn
T. Robert Yamada

Proposition 13
Expenditures
Income



ASPA Forum 13: An Examination of Responses by Local Governments to Proposition 13

by Sharon Lezin and Dave Wilkins

ASPA Forum 13 was developed as part of a process to provide public administrators an opportunity to learn to deal with an elemental new reality presented to them by the electorate.

The impact of the passage of the Jarvis-Gann initiative on government is still uncertain. The cut in taxes may be only part of the message; and, while all the repercussions and repercussions will not be known for years, immediate action has been required. The reductions in the property tax revenues which primarily finance local California government necessitated quick decisions. Governments acted with rapidity that might have been unique and certainly was unusual on the massive scale required.

It seemed appropriate that the American Society for Public Administration, the professional organization for public administrators, should take the role of bringing together its membership to discuss with the various government units directly affected, what they had done, and what they could do to reduce expenditures and to replace the lost revenue. As a result of the appointment of a blue ribbon committee by the Governor of California, under the leadership of A. Alan Post, the Los Angeles Chapter of ASPA was asked for its input as one of the many expert groups exploring the new and unique situations.

The ASPA Task Force On Responsible Fiscal Reform, formed to deal with the matter, decided that the most effective way of handling the information was by forming a clearinghouse for information and by providing a forum for members from the Los Angeles area who had to deal directly with this new-found reality, to exchange views and to inform those interested in hearing about actions taken.

The luncheon meeting, forum concept, an extension of the regular meeting process, was chosen as the most productive and least time-consuming way of cross-fertilization and data gathering. The expertise of the panelists would generate the discussion, and the expertise of the membership would hopefully add to it.

The purpose of ASPA Forum 13 was to attempt to determine in concrete terms what the various cities and other agencies of local government were doing in response to the passage of Proposition 13. Thus, it was decided to gather the information under the two headings of "methods to reduce expenditures" and "methods to increase revenues." For that purpose co-chair persons were appointed; one to coordinate the presentation of the methods of reducing expenditures and the other to coordinate the presentation of the methods of increasing revenues. Inasmuch as ASPA Forum 13 was initiated partly at the request of Richard Brandsma, the Head of the State Assembly, Office of Research, it was planned that the findings and report of the Forum would be made available to that office, to the Governor's special committee, and distributed generally to the members of ASPA.

The script for the Forum provided for the Coordinator of the expenditure side to have a number of representatives of various local agencies make presentations as to the actions taken by their agencies to reduce expenditures. Then the Coordinator for the revenue side was to have various representatives of local agencies present to the forum a description of the methods they had used to increase revenues. This was to be followed by a period of discussion from the floor. As it turned out, due to the interest displayed at the first meeting of ASPA Forum 13 in September, a second meeting was scheduled for October.

Representation at the meetings was composed of one or more persons from 12 cities, two counties, two State agencies, three federal agencies, five universities, and seven other agencies. The latter were composed of Bank of America, Southern California Rapid Transit District, the Rand Corporation, Arthur Young and Company, The League of California Cities, Southern California Association of Governments, and the Metropolitan Water District. While part of the general purpose of the Forum was to provide the opportunity for local agencies to exchange information and to discuss the impact of Proposition 13, it was also considered desirable that the specific actions taken by specific government agencies be identified. For this purpose, a matrix has been prepared which will make it possible to determine which agency has taken any particular action to reduce expenditures or to increase revenues (see Appendix attached hereto). While the method utilized to conduct Forum 13 limits the amount of participation that could be accommodated, nonetheless, some general conclusions can be drawn from this microcosm.

1. The reduction of expenditures appeared to be at least a two-to-one choice over the increase of revenues to meet the budget squeeze created by Proposition 13.
2. With one exception, the methods of increasing revenues were limited to the increase of various types of fees and charges.

Analysis of the presentations made at ASPA Forum 13 has provided the following list of the actions that were taken both to reduce expenditures and to increase revenues.

Methods to Cut Expenditures

Freeze vacant positions
Deny salary increases
Initiate risk program
Reduce or eliminate travel funds
Reduce/eliminate overtime funds
Reduce/eliminate capital funds
Eliminate CETA Program
Increase CETA Program
Do not replace equipment

Replace Prof./W Non-Prof.
 Consolidate functions
 Reorganize
 Improve Productivity
 Lay off personnel
 Adopt 4-10 staffing
 Mechanize manual activities
 Utilize materials requiring less maint.
 Utilize local retail services
 Reduce/eliminate dues-subscriptions
 Lease/purchase equipment
 Delay rehiring
 Delay promotions
 Cut Services
 Park Maintenance
 Street tree trimming
 Street Maintenance
 Street Striping
 Street lighting
 Public Works
 Public Service Contracts
 Custodial services
 Street tree maintenance
 Sidewalk repairs
 Data processing services

Methods to Increase Revenues

Legalize Gambling (Poker)

Increase Fees

Building permits
 Spay clinics
 Animal impound
 Animal license
 Business license

Establish New Fees

Entrance fees
 Systems development charge
 Residential permit fee
 Sewer service surcharge

Fire service fee
 Apartment tax
 Premise use charge
 Create Assessment Districts

Several of the methods of cutting expenditures and increasing revenue were sufficiently innovative as to warrant a description.

Utilize Local Retail Services. One city advised that it now utilizes a local retail service agency to repair office machinery and has reduced its city staff for that purpose.

Delay Rehiring. The process of rehiring personnel who were laid off as a result of the first impact of Proposition 13 has been delayed through adoption of a more cumbersome paperwork process.

Delay Promotions. When the opportunity for a promotion occurs and while the promotional need is recognized, the promotion is not made but is delayed until filling the position becomes imperative.

Legalized Gambling. One city has had a ballot proposition adopted which legalized gambling in the form of poker. The revenue from this means is looked upon as a business tax.

Systems Development Charge. An older city which is undergoing substantial growth has adopted a Systems Development Charge Tax which is a 1% surcharge on the building permit fee.

Residential Permit Fee. This is a monthly fee for the privilege of residing in the city.

Fire Service Fee. This is a charge for fire protection service based upon the calculated, required flow of water to extinguish the fire. The fee is applied only to those structures that exceed a basic service level cost.

The following are some interesting comments that emerged during the discussions carried on in ASPA Forum 13.

1. The major focus of the Forum should not be on what ways we can find to extract dollars out of the public, but rather how can we really address the question of the costs of government and the decisions we have to make about reducing administrative overhead and other costs of running City government.
2. There appears to be no question in the minds of the bureaucrats who are involved in the process of writing legislation to take care of the problems created by Proposition 13 that they know much better than we how to run our cities and they are going to do as much as they can to impose their views upon us.
3. I am not convinced that user fees and charges are the only response to Proposition 13, but some other more creative and more reliable response is necessary.

LOCAL
AGENCIES

BELL
BEVERLY HILLS
CLAREMONT
INGLEWOOD
LOS ANGELES
MANHATTAN BEACH
MONTEBELLO
SAN JUAN CAPISTRANO
LONG BEACH
LOS ANGELES COUNTY
ORANGE COUNTY
VECTOR CONTROL DISTRICT

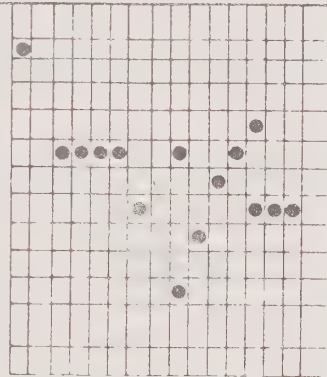
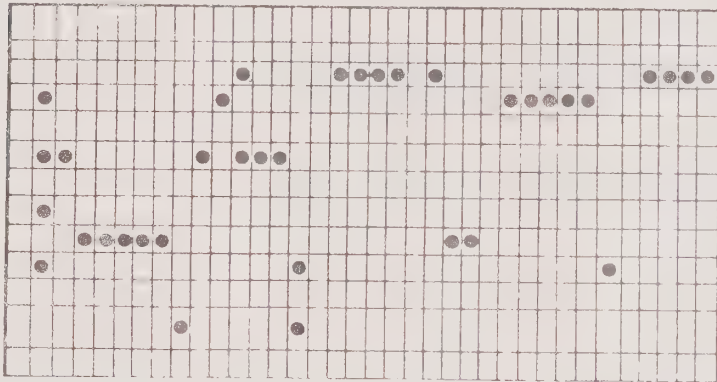
METHODS TO CUT
EXPENDITURES

FREEZE VACANT POSITIONS
DENY SALARY INCREASES
INITIATE RISK PROGRAM
REDUCE OR ELIMINATE TRAVEL FUNDS
REDUCE/ELIMINATE OVERTIME FUNDS
REDUCE/ELIMINATE CAPITAL FUNDS
ELIMINATE CETA PROGRAM
INCREASE CETA PROGRAM
DO NOT REPLACE EQUIPMENT
REPLACE PROF. W/ NON-PROF.
CONSOLIDATE FUNCTIONS
REORGANIZE
IMPROVE PRODUCTIVITY
LAY OFF PERSONNEL
ADOPT 4-10 STAFFING
MECHANIZE MANUAL ACTIVITIES
UTILIZE MATERIALS REQUIRING LESS MAINT.
UTILIZE LOCAL RETAIL SERVICES
REDUCE HOURS OF SERVICE
REDUCE/ELIMINATE DUES-SUBSCRIPTIONS
LEASE/PURCHASE EQUIPMENT
DELAY REHIRING
DELAY PROMOTIONS
CUT SERVICES
PARK MAINTENANCE
STREET TREE TRIMMING
STREET MAINTENANCE
STREET STRIPING
STREET LIGHTING
PUBLIC WORKS
PUBLIC SERVICE CONTRACTS
CUSTODIAL SERVICES
STREET TREE MAINTENANCE
SIDEWALK REPAIRS
DATA PROCESSING SERVICES

METHODS TO INCREASE
REVENUES

LEGALIZE GAMBLING (POKER)
INCREASE FEES
BUILDING PERMITS
SPAY CLINICS
ANIMAL IMPOUND
ANIMAL LICENSE
BUSINESS LICENSE
ESTABLISH NEW FEES
ENTRANCE FEES
SYSTEMS DEVELOPMENT CHARGE
RESIDENTIAL PERMIT FEE
SEWER SERVICE SURCHARGE
FIRE SERVICE FEE
APARTMENT TAX
PREMISE USE CHARGE

CREATE ASSESSMENT DISTRICTS



PRELIMINARY ANALYSIS OF SPIRIT OF 13 (GANN) INITIATIVE

May 30, 1979

| <u>Provisions</u> | <u>Gann Initiative</u> |
|---|---|
| 1. Scope of Limit | Limits growth in annual appropriations over prior year allowable. (Sec. 1) |
| 2. Index | |
| a. Basis | U.S. CPI plus population change (School dist. pop.: ADA (Sec. 1 & Sec. 8e & 8F) |
| b. Cap | Statewide per-capita personal income, plus population change. (Sec. 8e) |
| 3. Base Year/ Effective Year | 1978-79/1980-81 (if voted June 1980). (Sec. 8h) |
| 4. Adjustments to Limit | |
| a. Emergencies | Limit may be exceeded by existing statutory requirement of governing body. However, limits of next 3 years must be reduced in the amount spent in excess of limit "to prevent an aggregate increase in appropriations resulting from the emergency." No specified limit on duration of emergency. (Sec. 3c) |
| b. Intergovernmental transfers | Limit is increased or decreased by amount attributable to any service when responsibility for providing that service is transferred to or from any government entity. Transfers from public to private entities also decrease limit. (Sec. 3a) |
| c. Popular Vote to Change Limit | Majority vote of state or local electors voting, but change shall not exceed 4 years. (Sec. 4) |
| d. Miscellaneous Adjustments to Limit | Shift to user fees. Limit must be decreased correspondingly when financial source of providing a service is transferred to regulatory licenses, or user fees and charges (for the year in which such transfer occurs). (Sec. 3b) |
| 5. Appropriations Excluded from Limit | State and Local: |
| a. Bonds | Bonded debt existing on 1/1/79; voter approved thereafter. (Sec. 7 & 8g) |
| b. Federal & State Revenues | Appropriation of federal revenues (state and local). (By implication) |

Provisions

Gann Initiative

- | | |
|--|---|
| 5. c. Federal & Court Mandates | Federal and court mandates which require expense for added services or higher cost for existing services. (Sec. 9b) |
| d. User Charges & Fees | Appropriations made from user charges derived from sale of a product or service, if charge is no greater than cost of product or services. (Sec. 8c) |
| e. Refunds of Taxes | Appropriations for refunds of taxes excluded from limit. (Sec. 8b) |
| f. Subventions to Local Government | State subventions to local governments (exclusive of mandate reimbursements) are excluded. (Sec. 8a) |
| g. Benefit Payments Retirement, Unemployment & Disability Insurance | Benefit payments for retirement, and unemployment and disability insurances excluded from limit. |
| h. Special Districts with Low Tax Rates or Funded by Fees | Appropriations are excluded of any special district existing on 1/1/78 or thereafter created by affected voters which levy a property tax of 12½¢ per 100 AV or less for 1977-78 or which is totally funded by other than tax proceeds. (Sec. 9c) |
| i. Reimbursements for Mandated Costs | Excluded from limit. (Sec. 8a and 8b) |
| j. Miscellaneous Exclusions | Local agency loan or indebtedness funds, or investments in financial institutions or liquid securities. (Sec. 8i) |
| 6. Mandated Costs: Constitutional Requirement for State Reimbursement | Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, it shall provide an appropriation to reimburse for costs, except: (a) Legislature defining a new crime or changing definition of a new crime; (b) Legislative mandates enacted before 1/1/75 or regulations initially implementing pre-1/1/75 legislation; (c) Legislation enacted at local request. (Sec. 6) |
| 7. Reserve Funds | Any amount deemed "reasonable and proper." Allocations to reserve are appropriations and included within limit, but withdrawals from reserve are not subject to limit. (Sec. 5) |
| 8. Disposition of Revenues in Excess of Allowable Appropriations and Exclusion | Revenues received in excess of allowable appropriations must be returned by a revision of tax rates or fee schedules within next two fiscal years. (Sec. 2) |

TEXT OF GANN SPENDING-LIMITATION INITIATIVE

LIMITATION OF GOVERNMENT APPROPRIATIONS. INITIATIVE CONSTITUTIONAL AMENDMENT. Establishes and defines annual appropriation limits on state and local governmental entities based on annual appropriations for prior fiscal year. Requires adjustments for changes in cost of living, population and other specified factors. Appropriation limits may be established or temporarily changed by electorate. Requires revenues received in excess of appropriations permitted by this measure to be returned by revision of tax rates or fee schedules within two fiscal years next following year excess created. With exceptions, provides for reimbursement of local governments for new programs or higher level of services mandated by state. Financial Impact: Indeterminable.

ARTICLE XIII B.

Sec. 1. The total annual appropriations subject to limitation of the state and of each local government shall not exceed the appropriations limit of such entity of government for the prior year adjusted for changes in the cost of living and population except as otherwise provided in this Article.

Sec. 2. Revenues received by any entity of government in excess of that amount which is appropriated by such entity in compliance with this Article during the fiscal year shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Sec. 3. The appropriations limit for any fiscal year pursuant to Sec. 1 shall be adjusted as follows:

(a) In the event that the financial responsibility of providing services is transferred, in whole or in part, whether by annexation, incorporation or otherwise, from one entity of government to another, then for the year in which such transfer becomes effective the appropriations limit of the transferee entity shall be increased by such reasonable amount as the said entities shall mutually agree and the appropriations limit of the transferor entity shall be decreased by the same amount.

(b) In the event that the financial responsibility of providing services is transferred, in whole or in part, from an entity of government to a private entity, or the financial source for the provision of services is transferred, in whole or in part, from other revenues of an entity of government, to regulatory licenses, user charges or user fees, then for the year of such transfer the appropriations limit of such entity of government shall be decreased accordingly.

(c) In the event of an emergency, the appropriation limit may be exceeded provided that the appropriation limits in the following three years are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency.

Sec. 4. The appropriations limit imposed on any new or existing entity of government by this Article may be established or changed by the electors of such entity, subject to and in conformity with constitutional and statutory voting requirements. The duration of any such change shall be as determined by said electors, but shall in no event exceed four years from the most recent vote of said electors creating or continuing such change.

Sec. 5. Each entity of government may establish such contingency, emergency, unemployment, reserve, retirement, sinking fund, trust, or similar funds as it shall deem reasonable and proper. Contributions to any such fund, to the extent that such contributions are derived from the proceeds of taxes, shall for purposes of this Article constitute appropriations subject to limitation in the year of contribution. Neither withdrawals from any such fund, nor expenditures of (or authorizations to expend) such withdrawals, nor transfers between or among such funds, shall for purposes of this Article constitute appropriations subject to limitation.

Sec. 6. Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state shall provide a subvention of funds to reimburse such local government for the costs of such program or increased level of service, except that the Legislature may, but need not, provide such subvention of funds for the following mandates:

- (a) Legislative mandates requested by the local agency affected;
- (b) Legislation defining a new crime or changing an existing definition of a crime; or
- (c) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

Sec. 7. Nothing in this Article shall be construed to impair the ability of the state or of any local government to meet its obligations with respect to existing or future bonded indebtedness.

Sec. 8. As used in this Article and except as otherwise expressly provided herein:

(a) "Appropriations subject to limitation" of the state shall mean any authorization to expend during a fiscal year the proceeds of taxes levied by or for the state, exclusive of state subventions for the use and operation of local government (other than subventions made pursuant to Section 6 of this Article) and further exclusive of refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds;

(b) "Appropriations subject to limitation" of an entity of local government shall mean any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of state subventions to that entity (other than subventions made pursuant to Section 6 of this Article) exclusive of refunds of taxes;

(c) "Proceeds of taxes" shall include, but not be restricted to, all tax revenues and the proceeds to an entity of government, from (i) regulatory licenses, user charges, and user fees to the extent that such proceeds exceed the costs reasonably borne by such entity in providing the regulation, product, or service, and (ii) the investment of tax revenues. With respect to any local government, "proceeds of taxes" shall include subventions received from the state, other than pursuant to Section 6 of this Article, and, with respect to the state, proceeds of taxes shall exclude such subventions;

(d) "Local government" shall mean any city, county, city and county, school district, special district, authority, or other political subdivision of or within the state;

(e) "Cost of living" shall mean the Consumer Price Index for the United States as reported by the United States Department of Labor, or successor agency of the United States Government; provided, however, that for purposes of Section 1, the change in cost of living from the preceding year shall in no event exceed the change in California per capita personal income from said preceding year;

(f) "Population" of any entity of government, other than a school district, shall be determined by a method prescribed by the Legislature, provided that such determination shall be revised, as necessary, to reflect the periodic census conducted by the United States Department of Commerce, or successor agency of the United States Government. The population of any school district shall be such school district's average daily attendance as determined by a method prescribed by the Legislature;

(g) "Debt service" shall mean appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979 or on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose.

(h) The "appropriations limit" of each entity of government for each fiscal year shall be that amount which total annual appropriations subject to limitation may not exceed under Section 1 and Section 3; provided, however, that the "appropriations limit" of each entity of government for fiscal year 1978-79 shall be the total of the appropriations subject to limitation of such entity for that fiscal year. For fiscal year 1978-79, state subventions to local governments, exclusive of federal grants, shall be deemed to have been derived from the proceeds of state taxes.

(i) Except as otherwise provided in Section 5, "appropriations subject to limitation" shall not include local agency loan funds or indebtedness funds, investment (or authorizations to invest) funds of the state, or of an entity of local government in accounts at banks or savings and loan associations or in liquid securities.

Sec. 9. "Appropriations subject to limitation" for each entity of government shall not include:

(a) Debt service.

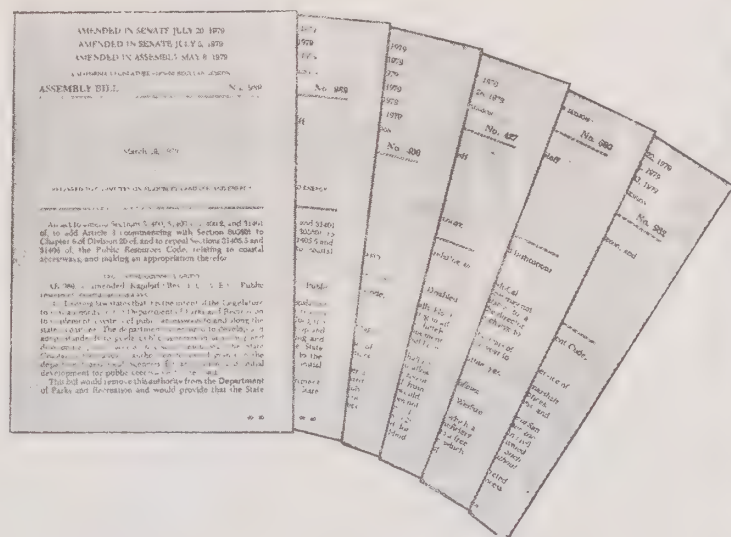
(b) Appropriations required for purposes of complying with mandates of the courts or the federal government which, without discretion, require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

(c) Appropriations of any special district which existed on January 1, 1978, and which did not as of the 1977-78 fiscal year levy an ad valorem tax on property in excess of 12½ cents per \$100 of assessed value; or the appropriations of any special district then existing or thereafter created by a vote of the people, which is totally funded by other than the proceeds of taxes.

Sec. 10. This Article shall be effective commencing with the first day of the fiscal year following its adoption.

Sec. 11. If any appropriation category shall be added to or removed from appropriations subject to limitation, pursuant to final judgment of any court of competent jurisdiction and any appeal therefrom, the appropriations limit shall be adjusted accordingly. If any section, part, clause or phrase in this Article is for any reason held invalid or unconstitutional, the remaining portions of this Article shall not be affected but shall remain in full force and effect.

Assemblyman Elihu M Harris Reports to the 13th District Winter 1980 **JARVIS II**



If the second Howard Jarvis initiative appearing on the June 3 primary ballot passes, virtually every program depending on the State Budget for funds will be drastically affected. For your information here is a brief explanation of Jarvis II and its probable effects:

Under the present income tax rate there are set income brackets with a certain percentage taxed at each level (1%-11%). For example, for a 1970 California Joint income tax return, the first bracket of 0-\$5,000 is 1%; the second bracket, \$5,000 to \$8,000 is 2%; and as income increases, the final bracket for an income of \$40,000 or more is 11%.

In the event that Jarvis II passes the income tax brackets would range from ½% to 5% or exactly one half of the present system. Naturally revenues from State Income taxes would therefore be reduced by 50%. According to the Legislative Analyst, the general fund budget will be reduced by 25%. The actual figure given is \$4.9 billion. Also by reducing the range in the present system from 1%-11% to ½-5½% upper income brackets would certainly benefit the most.

Since Jarvis II would take effect on July 1, 1980, contingency plan reflecting funding for the most essential, high priority programs in the budget within the remaining estimate resources have to be developed.

The sharp reduction in the revenue base does not totally reflect the situation in which California local governments could be placed by July 1, 1980.

The effect on cities could be disastrous. For example, Oakland's present budget has approximately \$105 million in unrestricted funds. Of that figure roughly \$65 million is reserved for the police and fire departments. In the event that the worst possible effects of Jarvis II are realized, all other city departments and agencies could face budget reductions of 60 to 70%.

State support accounts for more than 80% of the Alameda School District's annual budget. If Jarvis II passes, as much as a third of this support may be eliminated. Nearly all the cuts would have to come from staff reductions, since most other spending categories were cut as far as possible after Proposition 13.

Another characteristic of the Jarvis II initiative is the complete indexing of all tax brackets to adjust for inflation. (This process has already been accomplished in two stages. A bill by Assemblyman Larry Kapiloff (D-San Diego) was passed in 1978 to index brackets when inflation increases over 3% and AB 276, by Assemblywoman Marian Bergeson (R-Newport Beach) passed in 1979, adjusts indexing to allow for the full amount of inflation).

Jarvis II would also remove the business inventory tax but this, too was accomplished by legislation in 1979 by Assemblyman Bill Lockyer, AB 66 (D-San Leandro).

Bulk Rate
U.S. Postage
PAID
State of CA
Assembly

Assemblyman Elihu M. Harris
1111 Jackson Street
Oakland, CA 94607

THE BUDGET

On January 10th, Governor Brown presented a record State budget of 24 billion dollars for 1980-81 fiscal year. Of that amount, nearly 73% was targeted for education, health and public assistance programs.

From January to June of every year, legislative activity is dominated by the process of adopting a budget for the coming fiscal year. In 1980 that task is complicated by the need to draft two budgets — one to use if the Jarvis II initiative passes, the other if it fails.

In the Assembly, five subcommittees of the Ways and Means Committee are busy wrestling with the first of these budgets. Taking various sections of the larger "no Jarvis II" budget proposed by Governor Brown, they are attempting to work out differences, assemble compromises, and ultimately put together a legislative package that the rest of the Assembly can accept.

This year the Ways and Means subcommittees will have to work out a second, smaller "Jarvis II" budget, and each house of the legislature will have to prepare two budgets ready for passage when the fate of the Jarvis measure is known.

The amount to be removed from the budget, should Jarvis II pass, is larger than the entire

administrative budget of the executive branch of the state government.

Even the larger budget, as proposed by Governor Brown, reflects the post-Prop. 13 belt-tightening mood, with deep cuts in real-dollar spending for most state programs. Despite this, it uses up the last of the pre-13 state surplus. Even if Jarvis II fails, future budgets will be even more austere.

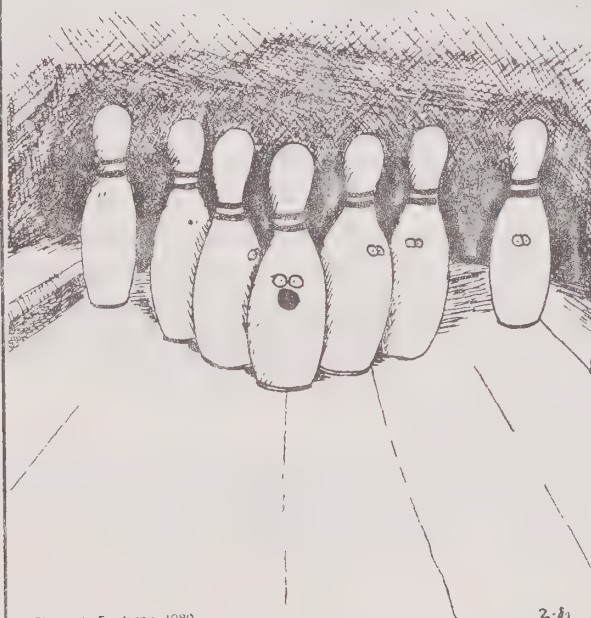
Both budgets respond to the tax-slashing mood of the electorate. However a few programs escaped the Ax. An energy saving program, Public transportation, public school improvements, and construction of new prisons are slated for increased state support.

The California Arts Council is budgeted for a 50% increase in funding. Last year's increase in funding for this body encountered considerable legislative opposition, leading to one of the few showdown battles which the Governor won last year. The further increase this year is expected to be just as controversial.

In proposing this budget to the legislature, Governor Brown described it as "a spending plan for difficult times". The end of the state surplus and the prospect of Jarvis II, may make this budget, frugal as it is, look "good" a few years down the road.

THE FAR SIDE/GARY LARSON

LARSON



© Chronicle Features 1980

2-fj

My God! . . here it comes again!

JARVIS II
on June ballot
as Proposition 9

INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS

The Attorney General of California has prepared the following title and summary of the chief purpose and points of the proposed measure

TAXATION. INITIATIVE CONSTITUTIONAL AMENDMENT. Adds section 26.5 to article XIII of the constitution to provide that taxes on or measured by income which are imposed under the Personal Income Tax Law or successor law shall not exceed 50% of those rates in effect for the 1978 taxable year. Requires the Legislature to provide a system for adjusting personal income tax brackets to reflect annual changes in the California Consumer Price Index or successor index. Adds subdivision (s) to section 3 of article XIII to provide that business inventories are exempt from property taxation. Financial impact: Initial reduction of State tax revenues of approximately \$5.1 billion in fiscal year 1980-81; continuing reduction of State tax revenues (approximately \$4.3 billion in fiscal year 1981-82) thereafter. Reduction of local revenues by approximately \$520 million annually. Reduction of State expenditures by approximately \$260 million annually.

TO THE HONORABLE SECRETARY OF STATE OF CALIFORNIA

We, the undersigned, registered, qualified voters of California, residents of _____ County (or City and County) hereby propose amendments to the Constitution of California, relating to Taxation, and petition the Secretary of State to submit the same to the voters of California for their adoption or rejection at the next succeeding general election or at any special statewide election prior to that general election or otherwise provided by law. The proposed constitutional amendments (full title and text of measure) read as follows:

INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS

The people of the State of California do enact as follows:

First. Section 26.5 is added to Article XIII thereof, to read:

26.5 (a) Taxes on or measured by income which are imposed under the Personal Income Tax Law or any successor thereto shall be at rates not to exceed 50 percent of those rates in effect for the 1978 taxable year.

(b) The Legislature shall provide for a system of adjusting the personal income tax brackets under the Personal Income Tax Law or any successor thereto to reflect annual changes in the California Consumer Price Index or any successor thereto

Second. Subdivision (s) is added to Section 3 of Article XIII thereof, to read

(a) Business inventories

Third. If any provision of this measure or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of the measure which can be given effect without the invalid provision or application, and to this end the provisions of this measure

JARVIS II CUT OF \$4.9 BILLION SHADOWS UPCOMING STATE BUDGET DELIBERATIONS

DEC 21 1979

UNIVERSITY OF CALIFORNIA

Aid to Local Governments or Budget May Be Deflated Even if Tax Cut is Unsuccessful on June Ballot

The California Constitution requires that the governor submit a proposed state budget to the Legislature within 10 days of the beginning of a new year. With less than one month to go before Governor Brown meets this mandate, several issues are already shaping up to be the battlegrounds for the 1980-81 state budget.

Housing, transportation planning, crowding in correctional institutions and Medi-Cal cost containment — really nothing new — are among those issues staffers of the Department of Finance and the Legislature expect will set lawmakers to wrangling.

However, Howard Jarvis's latest foray into the realm of taxation — a blockbuster initiative halving state income tax collections — is expected to override it all. If successful, the newest Jarvis proposal would, in the four weeks between its passage and its

enactment, undo the six months of work lawmakers expect to do on the budget between January and June.

Despite the very real possibility that Jarvis II will not only qualify (it is now under examination by Secretary of State March Fong Eu) but be voted into

HOWARD JARVIS

*Initiative fronts
state budget*



IN THIS ISSUE:

| | |
|---|----|
| Lawmakers Face Task of Implementing Prop. 4 | 3 |
| There may be a political price to pay for writing spending limit laws | |
| Department Tax Chief Defends Unitary Tax ... | 5 |
| Martin Huff tells why the corporate tax method should prevail | |
| Oil Profits Initiative in Home Stretch | 7 |
| "Tax Big Oil" needs 346,119 names by January 24 | |
| Q and A with Voucher Friends and Foes | 8 |
| Fiscal talk on the controversial school funding proposal | |
| Agency Updates | 12 |
| Gann eyes Senate race | |

law, Department of Finance spokesman say there are no plans to draw up a "phantom budget" enumerating possible cuts. Instead, finance is sticking to its earlier instructions to department heads to flag five programs, equalling at least 10 per cent of their total departmental budget — for possible elimination.

This is the second year this blanket instruction has been issued by Finance, and indications are that it is not being complied with as diligently as in 1978-79.

Senate Finance Chairman Albert Rodda (D-Sacramento) has issued directions to his staff to begin thinking of ways the state may meet its possible Jarvis II mandate. Finance Committee consultant

continued on page 2

Jack Watson said Rodda plans hearings soon after the Legislature returns in January to decide whether an alternative budget should be heard.

Ordinarily, after the budget's introduction the fiscal committees, Senate Finance and Assembly Ways and Means, break into subcommittees and examine the entire document item-by-item. The process runs from January to May. Then the subcommittees

and \$19.5 billion in revenue for 1980-81. He adjusted this to account for the full income tax indexing enacted by AB 276 last season.

"These figures indicate that a \$276.6 billion deflator reduction will be required, even if the Jarvis Initiative is not approved," Hamm said. His revenue estimate assumed that no California recession would occur.

PROJECTED INCREASES IN STATE APPROPRIATIONS LIMIT 1979-80 to 1983-84

| | 1979-80* | 1980-81 | 1981-82 | 1982-83 | 1983-84 |
|--|----------|---------|---------|---------|---------|
| Annual percentage increases (est.) | 7.7% | 11.3% | 11.6% | 8.7% | 6.5% |
| Cumulative percentage increases (est.)** | 9.7 | 24.2 | 37.8 | 52.3 | 65.0 |

*For information only. Appropriations limits not required in 1979-80.

**Cumulative percentage increases reflect the compounded growth in appropriations limits.

Source: California Department of Finance

report back to their parent committees and recommendations are made to each house. Both houses then adopt their own versions of the budget and convene a conference committee to hammer out their inter-house differences.

The Legislature also has a constitutional budget deadline to meet, June 15, but it rarely does.

\$4.9 Billion Loss Expected

By halving the state Personal Income Tax in the 1980 income year, Jarvis II cuts state revenues by \$4.9 billion in 1980-81. The cut drops to \$4.4 billion the following year because of complex changes it enacts in withholding procedures and the relationship between tax (calendar) years and fiscal years.

In addition, last session's Assembly Bill 8 changed the funding relationships between state and local government. AB 8's deflator mechanism allows the state to reduce its substantial funding commitments to cities, counties, schools and special districts should state revenues fall below a certain point. Experts agree that should Jarvis II become law, this mechanism will surely kick in, leaving state lawmakers with the tough choice of forcing local agencies to bear the burden, or shouldering as much as possible by reducing state programs.

According to Legislative Analyst William Hamm, the deflator is likely to become effective even if Jarvis II is unsuccessful.

Hamm used an estimate of \$1.1 billion for a general Fund surplus at the end of the current fiscal year

The picture for government is even gloomier if Jarvis II is factored in. Hamm's calculations show that the \$4.9 billion loss attributable to it, plus the \$276.6 million reduction expected anyway, will bring the total deflator to \$5.2 billion.

In Hamm's words:

"Schools would bear half this amount. Other local governments should bear the other half, but the subventions specified in AB 8 are insufficient to cover (it). Therefore, the deflator provisions of AB 8 can not cover the total loss from the passage of the Jarvis Initiative, and as a result reductions totaling \$1.3 billion would have to be made in other programs to balance the state budget."

The Legislature could absorb even more of the revenue loss in state programs if it wanted to by simply reducing budget expenditures. However, the 50-50 division of loss between schools and all other local governments was cemented into law by AB 1019, an AB 8 clean-up measure. To change this ratio would require a separate statute.

Opinion is mixed as to whether the Legislature will even acknowledge Jarvis II's existence during its budget deliberations, despite Rodda's best efforts.

"We're in the business of putting out fires around here," observed one legislative staffer, "not planning to put them out."

Thus in spite of the Jarvis II specter looming over the Capitol dome, the 1980-81 budget season may well go on like every other. □

\$2.50 a Signature

Jarvis Spent a Bundle To Get on June Ballot

Sacramento

It cost Howard Jarvis \$2.50 a signature to qualify his income tax cut measure for the June 3 ballot — and he collected a remarkable 200,000 individual contributions, a spokesman said yesterday.

A financial report filed with the Secretary of State showed \$2,075,287 in payments and unpaid bills between April 17 and December 24 for the Jarvis II initiative, Proposition 9 on the primary ballot.

The initiative would cut state personal income taxes in half, reducing state taxes and revenues by about \$5 billion in the first year.

It was certified for the ballot after Jarvis submitted 820,000 signatures, far more than the 553,790 valid signatures of registered voters needed.

Relying heavily on computerized statewide mailings, the campaign raised \$1,880,968, leaving it with a deficit of nearly \$200,000.

Spokesman Harvey Englander of the Butcher-Forde consulting firm said the campaign will spend "whatever it takes to win," perhaps another \$2 million. Some of that will be spent on a 30-minute statewide television show April 15, the day income taxes are due, he said.

The state has no record of any committee formed to oppose the measure, and no opposition ballot pamphlet argument has been submitted. But Englander said he expects a well-financed opposition.

The campaign report, which lists all contributions of \$100 or more, is a study in anonymity — about 840 business executives, professionals, small and medium-sized businesses, and people with no listed occupation who gave \$100,

and another 90 who gave an average of \$300.

But that covers only \$111,000 of the total. The other \$1.77 million came in contributions of less than \$100.

Englander said the campaign has received 200,000 individual contributions averaging \$9.90 each — more, he said, than the number of people who have contributed to all of the country's presidential candidates.

He said 6 million pieces of mail were sent to Californians. Though that's an expensive way to raise funds, and the \$2.50 cost per signature is extremely high, Englander said the mailings also gave the campaign a head start in getting its message across.

Associated Press

'No General Tax Increase Forecast for State if Voters Approve Jarvis II in June

By CARL INGRAM
Times Staff Writer

SACRAMENTO—Top-level officials assembled in Gov. Jerry Brown's office Thursday and were told they could live with drastically cut Jarvis II budgets without a general tax increase.

In Brown Administration terms, "general taxes" usually mean taxes on income and sales, but not corporation taxes or other payments made to the state by businesses.

"We do not envision any new taxes at this point in the process and we have ruled out the possibility of a general tax increase," said Brown's

chief of staff, Gray Davis, who presided over the meeting.

Meanwhile, Brown was conducting a campaign press conference at Los Angeles International Airport before flying to San Francisco for a round of fund raising.

The hour-long session in Brown's council room, attended by department directors, their deputies and other administrators, was called to direct them to slash their proposed spending for the fiscal year starting July 1 by an across-the-board 30%.

The proposed cuts were ordered as an alternative state budget for use in case Howard Jarvis' income tax-cutting initiative is approved by the voters June 3.

The measure, dubbed Jarvis II because it is the second tax-cutting effort by the author of 1978's Proposition 13, would give state government a loss of \$4.9 billion in its first 18 months, representing 25% of the projected revenue in the key general fund cash box.

Last week, Brown sent to the Legislature a record \$24 billion proposed state budget on the assumption that Jarvis II would be defeated. The severely cut Jarvis II budget will be offered as an alternative in case the initiative is approved.

Davis set Feb. 6 as the deadline for the departments and agencies of state government to return with their 30% cuts in hand. However, depending on what priorities the administration sets, not every agency is expected in the final outcome to take the full cut; some may take less.

NO GENERAL TAX HIKE

Continued from Third Page

he proposed would require rewriting some statutes and even changing the state Constitution. This is because some funds are specially designated for certain purposes—such as highways and fish and game—and cannot be spent to finance other government operations.

Administration officials have talked in vague terms of proposing legislation to free so-called "special funds" for general government purposes. But such a tack would be certain to draw vigorous opposition in the Legislature from various lobby organizations that want their sources of funds untouched.

In addition, most statutory or constitutional changes enacted this year probably could not take effect until next year. Some officials have indicated that if the changes were successful and the "special" money were released, it could be spent to restore some budget cuts.

Although independently elected statewide officers were invited to the meeting, Davis said he spotted none. Brown had also urged them to cut their proposed budgets by 30%.

One participant, Edward V. Roberts, director of the Department of Rehabilitation, warned after the meeting that a 30% cut for his de-

partment would "destroy" certain community-level job training, rehabilitation workshops and various mental health programs.

Noting that his agency is financed heavily by federal matching funds, Roberts said, "We are right on the edge, so that for every \$1 we lose, we lose five federal dollars. We don't have any slack or extra state dollars."

Beverlee Myers, director of the Department of Health Services, who administers the \$4.8 billion Medi-Cal health care program for low-income Californians, said the proposal would cut her funds by \$1.45 billion.

"We are going to have to take a good hard look at benefits that are not federally mandated," she said, "including podiatry, drugs, chiropractic and all the physical therapies."

She said she also will examine stiffer eligibility requirements, limiting hospital stays, and requiring Medi-Cal recipients to pay some of their health care costs.

Charles Fuller, director of the Department of Fish and Game, said Brown's proposed cuts probably would mean a reduction in game wardens, the number of catchable trout planted, an easing in protection of rare and endangered species and even possible layoff of 200 to 300 employees.

At the end of the session, the officials emerged wearing solemn expressions. Some warned reporters that certain programs for the handicapped would be "destroyed" while others warned some services for Medi-Cal recipients would be eliminated or greatly curtailed.

"I don't think they were shocked by what they heard," one participant said. "They know what Jarvis II means. Generally, they were supportive (of the proposed cutback)."

In a related development, a spokesman for the initiative campaign, Harvey Englander, said Jarvis wants an "immediate" meeting with Brown.

"Howard wants to sit down with the governor and talk a little economic reality with him and show him how to read the budget," Englander said.

Davis noted that Brown and Jarvis met shortly after passage of Proposition 13 in 1978 and, "I'm sure they'll be meeting at some point during the preparation of this budget."

For Brown to achieve the full cut

Please Turn to Page 28, Col. 5

LA Times Educators Suffer Credibility Gap in Fighting Jarvis II

Officials Seek Outside Help Because Previous Prophecies Gave Them 'Crying Wolf' Reputation

By DON F. SPEICH
Times Education Writer

Educators seeking an effective way to fight the Jarvis II tax-cut initiative on the June 3 ballot have come face-to-face with what they regard as an unpleasant reality: nobody believes them anymore.

Haunted by a track record of false apocalyptic prophecies, virtually all statewide education officials have concluded privately that they alone cannot wage a credible campaign against the initiative.

As a result, leaders representing the state's universities and colleges, major school districts and teacher organizations have been looking for someone with more credibility to lead the public campaign against Jarvis II.

Their first choice is California's business establishment, and the educators believe business has as much to lose as education does if the initiative should pass.

But business leaders are at best lukewarm about jumping into the campaign, at least partly because they are skeptical of the dire forecasts being made by educators about the potential effects of Jarvis II.

Consequently, education's campaign against Howard Jarvis' latest tax-slashing measure is stalled.

Interviews, most of them off-the-record, with officials in all of the state's systems of education disclose a belief that educators have lost their credibility by crying wolf too often.

Such cries in the past have been prompted by fears that some proposal—most recently Proposition 13—was about to "dismantle" public education. And this, of course, did not happen.

But educators once again believe that the wolf is on the doorstep.

Jarvis II would cut state income tax by one-half, resulting in the loss of nearly \$5 billion in state revenues in the first full year after its passage, according to current estimates.

Educators believe that the resulting cuts in state spending would lead to such disruptive actions as the implementation of tuition in public colleges and universities and the dismissal

of hundreds of professors and schoolteachers.

But the educators are also convinced that if they make such predictions, no one will believe them.

"Scare tactics are to be avoided," University of California President David Saxon has warned.

At two meetings in the San Francisco Bay Area, representatives from the University of California, the State University and Colleges System, the state community colleges, the state Department of Education, major school districts and others devised a two-part strategy.

The first part calls for educators "to get our own groups in line," one public school official said. This means getting teachers to convince other teachers, for example, that Jarvis II would be catastrophic to education.

Currently, the official said, "most retired teachers I've talked to are for it (Jarvis II)." And this is precisely the kind of thing, he said, that educators must quietly work to turn around.

The second, and more crucial part of the strategy is to persuade business leaders to take the lead in the cam-

paigned against the tax-cut initiative.

Educators hope to convince business leaders that Jarvis II would be as bad for them as it would be for education because among other things, the Legislature would be likely to raise the sales tax and taxes on corporations to make up for lost revenue, and this, would be bad for business.

However, for the moment, business leaders appear unsure whether they want to be part of the anti-Jarvis campaign, sources in both business and education say.

Some business leaders believe that they were sold a bill of goods by educators before the passage of Proposition 13. They charge that those who spoke out against the initiative were made to look foolish when the measure passed and not much happened in a visibly negative way.

The Bank of America, for example, received high marks in social responsibility from educators in 1978 when it came out strongly against the passage of Proposition 13, but is now not so sure it wants to repeat that role in

A source familiar with the thinking of top executives at the bank said that educators "would like (the bank) to assist in raising money for the campaign. They think they need between \$1 million and \$3 million."

But, the source said, in the case of Proposition 13, the bank believes it "got burned."

This time, he said, bank officials "have to be sure. (They) have a responsibility to thoroughly analyze and study Jarvis II."

"The problem is," he added, "(they) can't analyze it yet with any precision." He called it unlikely that the Bank of America would become involved in any campaign opposing the June initiative.

Other business leaders, including those on the California Roundtable, comprising top business and corporate leaders in the state, have told educators they will independently analyze the potential effect of Jarvis II before making any decision.

They too, however, appear to be worried about being caught up in another experience like Proposition 13, according to education officials.

The origins of the credibility problem California educators say they are facing probably can be traced back to mistaken forecasts they made during the first term of Gov. Ronald Reagan.

They labeled Reagan's relatively tight budgets potentially damaging to education, even though upon examination it was clear that money for education increased almost annually.

Similar warnings were sounded about Gov. Jerry Brown's budgets, although education continued to get more money each year.

After the passage of Proposition 13, educators first appeared to become seriously concerned that too many false alarms had led to a loss in credibility.

In the case of Proposition 13, they had vastly underestimated the amount of money in the state's general fund surplus that would be used to bail out school districts when they lost property tax revenue.

They now say that their predictions were not so much mistaken as premature. Only the bail-out funds have prevented the realization of the forecasts, they say. When the surplus runs out and some fiscal experts in Sacramento now say that is likely to occur in 1981—then such things as tuition will be necessary even if Jarvis II is defeated the educators contend.

Credibility appeared to suffer another blow earlier this month when Gov. Brown released his proposed

1980-81 state budget. It includes education allocations that seem certain to be his most generous since taking office in 1975.

The generosity comes in the face of the fact that voters last November passed Proposition 4, the Gann initiative, which places a limit on spending by state government.

But as a sign of what may yet be in store for them, educators point to the governor's recent directive to all state agencies, including education, to find potential cuts of 30%, could be made as needed should Jarvis II pass.

Top education officials and some fiscal experts in Sacramento say a 30% cut would require the University of California, the state university system and probably community colleges to charge tuition, perhaps as much as \$800 a year at UC.

In addition, Anthony Moya, assistant vice chancellor for programs and resources development in the state university system, says it probably would be necessary to put a lid on enrollment for the first time.

In the public schools, some officials say they would have to cut back class periods, crowd classrooms and lay off teachers if anything near a 30% budget cut were enforced.

This time, educators are convinced they are right. But, Moya said, "I don't believe we can explain to people this is not another instance of crying wolf."

Slashes in Medi-Cal Funds Considered in Case Tax-Cutting Initiative Passes

By PAUL JACOBS
Times Medical Writer

To prepare for a budget cut as high as \$1.6 billion if the Jarvis II tax-cutting initiative passes, state Medi-Cal officials are looking at options that include eliminating 300,000 low-income individuals from the program and forcing doctors to take Medi-Cal patients at reduced rates as a condition of licensing, a state official said Wednesday.

The drastic remedies could be part of the state government's response to the income tax-cutting initiative effect on the state budget, according to Beverlee A. Myers, director of the state Department of Health Services.

Myers told the department's medical advisory committee meeting here Wednesday that she is considering a variety of alternatives that would cut more than \$800 million or 30% from her department's general fund budget.

However, every dollar cut will in general cost the state another dollar in federal matching money. The combined loss of state and federal revenue would mean a substantial reduction in the \$4 billion-a-year program that provides medical care to about 3 million poor or low-income people.

Myers said that California's medical program for the poor is now the most generous in the nation—both in ser-

vices provided and eligibility requirements.

She said that Jarvis II would alter that. Like other department heads in Sacramento, she has been asked by the governor to show how she would reduce expenditures by 30% if the initiative passes.

"I must and I will respond to the governor's request," she said, adding that she will resist any suggestion that she refuse to cooperate with the budget-paring process.

Twice before, she said, she has convinced the governor to spare Medi-Cal from budget cuts so that the entire structure of the system could be altered to reduce costs over the long run.

But her proposals for cutting costs have been repeatedly killed in the Legislature.

Unlike the first initiative backed by Howard Jarvis—Proposition 13, which sharply reduced revenue to local governments—Jarvis II would have a direct effect on the Medi-Cal program, she said.

"We are not predicting doomsday," she told the medical advisory committee members. "We are only trying to be prepared as possible."

Throughout the discussion, Myers indicated that she was leaning toward

eliminating Medi-Cal services not required by the federal government.

In particular, the state program for the "medically indigent"—for 300,000 low-income adults who cannot meet high medical costs—appears to be a likely target for the budget ax.

No federal funds go into the program, which costs the state more than \$500 million. Eliminating the program would not mean a reduction in federal revenue.

But other options are also available—including a reduction in the services provided to all Medi-Cal recipients. The state could, for example, as it has in the past, limit the number of doctor visits it would pay for each month, Myers said.

But any discussion of cuts, she said, must also consider the question of who will take up the slack.

Many poor and low-income people, she said, would be forced into county-supported hospitals—shifting the financial burden to local governments that are still only beginning to feel the effects of the first Jarvis initiative.

One way around the problem would be to force private health insurance programs to pick up a portion of Medi-Cal recipients—placing the cost of medical care for the poor on employers and individuals now paying insurance premiums.

Calif. AFL-CIO Opposes
Jarvis II Tax Cut Proposal

Cal. AFL-CIO NEWS,
12/7/79
V. 22
No. 48
p. 1

The California Labor Federation has become the first major state-wide organization in the state to announce its opposition to a new constitutional amendment being pushed by Howard Jarvis that would chop more than \$5 billion from the state's 1980-81 fiscal year revenues by cutting personal income taxes in half.

The Federation's Executive Council, which represents the state's 1.7 million AFL-CIO union members, voted unanimously at a two-day meeting in Anaheim last week to oppose the measure.

John F. Henning, the State AFL-CIO's executive officer, said that it would be "the worst of follies for the citizens of this state to approve such a crippling slash in the state's only tax that's based on the fair principle of 'ability to pay' when a state study shows that the full crippling impact of Proposition 13 will be felt within the next two years.

"The restrictions of these two measures would mean an absolute disaster for governmental services in California," Henning warned.

Jarvis II, as it is known, would cement into the state constitution a provision asserting that "taxes on or measured by income which are imposed under the personal

(Continued on Page 2)

Calif. AFL-CIO Opposes Jarvis II Tax Cut Proposal

(Continued from Page 1)

income tax law or successor law shall not exceed 50 percent of those rates in effect for the 1978 taxable year," according to the State Attorney General's summary of the measure.

It would also require the legislature to set up a system to adjust personal income tax brackets to reflect annual changes in the California Consumer Price Index and exempt business inventories from property taxation.

Henning pointed out that legislation has already been enacted which eliminates the property tax on business inventories and calls for cost-of-living indexing of the state income tax.

The Jarvis forces are seeking to qualify the Jarvis II constitutional amendment for the June 1980 ballot. A total of 553,790 valid signatures—eight percent of the votes cast in the last gubernatorial election—are required to qualify it.

In a departure from the traditional card-table-in-the-shopping-center system used by initiative circulators in the past, the Jarvis forces are using a sophisticated computer letter to gather their signatures. The mailings bring back campaign contributions as well as signatures that are being used to finance additional computer mailings.

The State Attorney General's summary of the measure says that it would slash state revenues by about \$5.1 billion in the 1980-81 fiscal year and result in continuing reduction of state revenues by about \$4.3 billion thereafter. It also says that it would slash local revenues by about \$520 million a year.

"California voters must begin to recognize that two-thirds of the benefits—\$4.6 billion—of Proposition 13 went to commercial and industrial interests and that the wealthy would likewise be the major beneficiaries of any such proposed slash in the state personal income tax as that proposed in Jarvis II," Henning said.

He pointed out that a recent state report, "An Analysis of the Effect of Proposition 13 on Local Government" which was released by the state legislative analyst's office last month, found that local governments have succeeded in deferring the impact of Proposition 13 by digging into their reserves, reducing jobs by attrition and using some \$4.4 billion from the state's surplus to get by.

The real crunch will come when local reserves and the state's surplus is used up, some time after July 1981, the report said.

At that point, the growth in expenditures will have to be reduced significantly below historical trends and some programs may have to be reduced unless additional revenues are raised from non-property sources, it said.

Little more than two months ago, the State Board of Equalization reported that one of the major pitfalls in Proposition 13 — the fact that it will shift the state's property tax burden from commercial and industrial interests to residential homeowners — is already becoming evident.

The Board's report disclosed that state-assessed property, most of which is owned by utilities, rose by only 7.5 percent in average assessments while locally assessed property climbed 14.2 percent.

One of the principal reasons why the California AFL-CIO opposed Proposition 13 was because residential properties change hands far more frequently than commercial and industrial properties and this means that Proposition 13 will result over the years in increasing the burden on homeowners while substantially reducing taxes on commercial and industrial properties which change hands far less frequently.

Tax Simplicity Act

A Tax Reform Initiative for the November, 1980 Election

CUT TAXES WITHOUT CUTTING SERVICES

- ① ONE PAGE TAX FORM
- ② 92% OF INCOME TAXPAYERS GET TAX RELIEF
- ③ NO MORE TAX LOOPHOLES
- ④ FAIR SHARE TAXES FOR ALL
- ⑤ NO CUTS IN GOVERNMENT SERVICES
- ⑥ INCREASE BANK AND CORPORATION TAXES

The Tax Simplicity Act is a comprehensive tax reform and relief initiative which will lower taxes for 7.2 million Californians and reduce the state's income tax form to one page.

The Tax Simplicity Act causes a dual tax shift. First, \$950 million raised from corporate taxpayers is used for individual income tax relief. Second, 7.2 million California income taxpayers (92%) will receive a tax cut averaging \$329.00, which, in part, is paid for by increased taxes on other Californians who are currently undertaxed. Once the Act is passed, 75% of all Californians will pay 1% or less of their incomes in state income taxes.

Large "zero brackets" make the first \$10,000.00 of income for single people and the first \$20,000.00 of income for couples completely tax-free. The dependent tax credit is raised to \$25.00 (from \$9.00) and a credit is permitted for taxes previously paid or taxes paid to other states.

The Act simplifies the personal income tax by eliminating most other exemptions, credits and deductions. Only the income tax deductions for business expenses, alimony, charitable contributions, return of capital and deferred compensation plans are continued as under current law.

Virtually all income from all sources is taxable.

The Bank and Corporation Tax rate is raised from 9.6% to 12% to match the top personal income tax rate. Additionally, \$200 million in corporate tax breaks are wiped out.

Above the "zero brackets," a graduated income tax with rates from one to twelve percent is applied. The top 12% bracket starts at \$25,400 for single people and \$50,800 for couples. All brackets and the dependent credit are indexed to the Consumer Price Index.

The current provisions on income averaging are continued. Homeowners may avoid taxation of home sale profits by reinvesting in another home.

The Tax Simplicity Act is fiscally-balanced. It has no revenue gain or loss for government.

(over)

And This is How It Will Help You!

Food Service Worker; Single with no Children; Renter. Annual Income: \$9,400.00 salary (median for single renter) plus \$100.00 of savings interest.

Present Deductions: \$1,340.00

Present Income Tax Rate 4%

New Income Tax Rate: 0%

SIMPLICITY ACT

TAX RELIEF: \$90.00 (-100%)

Highway Engineer; Married with one Child; Homeowner (\$75,000.00 home value, purchased in 1972).

Annual Income: \$26,500.00 salary (median for married homeowner) plus

\$400.00 of savings interest and

\$100.00 of stock dividends.

Present Deductions \$5,014.00

Present Income Tax Rate 6%

New Income Tax Rate: 3%

SIMPLICITY ACT

TAX RELIEF: \$338.00 (-61%)

TAX SIMPLICITY ACT



TAX CHANGE FOR 1981 INCOME YEAR



| Current Income | Single Person with No Dependents | | Married Couple with One Dependent | |
|-------------------|-------------------------------------|---------|--------------------------------------|---------|
| | Amount | Percent | Amount | Percent |
| \$ 5,000 | -0- | -0- | -0- | -0- |
| 7,500 | \$ -15 | -100% | -0- | -0- |
| 10,000 | -110 | -100 | -0- | -0- |
| 12,500 | -205 | -87 | -0- | -0- |
| 15,000 | -285 | -73 | \$-100 | -100% |
| 17,500 | -365 | -62 | -125 | -100 |
| 20,000 | -370 | -49 | -200 | -100 |
| 25,000 | -360 | -30 | -350 | -90 |
| 30,000 | -270 | -16 | -440 | -70 |
| 35,000 | -115 | -5 | -495 | -54 |
| 40,000 | 135 | +5 | -520 | -41 |
| 50,000 | 300 | +9 | -455 | -22 |
| 75,000 | 770 | +13 | -0- | -0- |
| 100,000 | 1,150 | +14 | 420 | +6 |

INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO THE VOTERS

The Attorney General of California has prepared the following title and summary of the chief purpose and points of the proposed measure.

INCOME TAX. INITIATIVE STATUTORY AMENDMENT. Defines taxable and non-taxable income. Defines and limits allowable deductions and credits. Tax rate for general corporations is 12%. Tax rates for non-corporate taxpayers range from zero to 12%, with 12% rate applying to taxable income over \$25,400 (\$50,800 for married persons filing joint returns). Requires indexing of personal income tax brackets reflecting annual changes in consumer price index. No tax payable on first \$10,000 of income of individual or \$20,000 of married persons filing joint returns. Legislature may make specified amendments by two-thirds vote. Applicable to tax years beginning on or after January 1, 1981. Fiscal impact: State revenues reduced by about \$200,000,000 in 1980-81. State revenues increased approximately \$600,000,000 in 1981-82. Long-term effect unknown. No effect on local governments in 1980-81. State payments to local governments reduced by about \$850,000,000 in 1981-82. Long-term effect unknown.

To the Honorable Secretary of State of California:

We, the undersigned, registered, qualified voters of California, residents of _____ County (or City and County), hereby propose amendments to the Revenue and Taxation Code, relating to tax simplicity and petition the Secretary of State to submit the same to the voters of California for their adoption or rejection at the next succeeding general election or at any special statewide election held prior to the general election or otherwise provided by law. The proposed statutory amendments (full title and text of the measure) read as follows:

Section 1. Part 10.4 is added to the Revenue and Taxation Code as follows:

Part 10.4. Tax Simplicity Act.

19500. This part shall be known and may be cited as "The Tax Simplicity Act."

19501. We, the people of the State of California, do enact this Tax Simplicity Act in order to guarantee that all citizens are taxed on the basis of their ability to pay, to simplify the income tax system, to provide permanent income tax relief for the general taxpayer, to restore a proper balance of taxation between corporate and individual taxpayers, to maintain high-quality governmental services and to preserve public trust in our tax system.

19502. Beginning in 1981, all income shall be taxed the same.

19503. For the purposes of the State Personal Income Tax Law (Part 10 of the Revenue and Taxation Code), income includes all receipts, including, except for transfers between spouses, donor net gains from gift transfers and donor net gains or losses from death transfers.

19504. The following shall not be taxed:

- a. income prohibited from taxation by the United States Constitution, the laws of the United States, or the California Constitution (except such income shall be reported), and
- b. To the extent such amounts are not taxed under present law:
 - (1) government transfer payments such as public assistance, unemployment compensation, social security,
 - (2) life insurance proceeds,
 - (3) gifts and inheritances,
 - (4) amounts received for injuries or sickness,
 - (5) amounts received under accident or health insurance plans, and
 - (6) reasonable employee fringe benefits.

19505. For individuals, special treatment may be allowed for proceeds from the sale of a principal residence if such proceeds are reinvested in another principal residence. For all taxpayers, special treatment for involuntarily converted property may be allowed if the proceeds are reinvested in the same or similar type of property.

19506. With respect to all taxpayers, percentage depletion, accelerated depreciation and other forms of rapid amortization shall not be allowed. Allowable deductions are limited to:

- a. items presently allowed which are reasonably necessary to earn or produce income,
- b. amounts representing a return of principal,
- c. alimony payments of individuals,
- d. for individuals, charitable contributions up to 20% of net income. For corporations, charitable contributions up to 5% of net income,
- e. contributions to self-employed retirement plans, individual retirement accounts and deferred compensation plans as provided by law.

19507. Allowable credits are limited to:

- a. for individuals, a credit for income taxes paid to other states and a dependent credit of \$25 or more, and
- b. for all taxpayers, a credit for taxes withheld, paid or previously paid.

19508. The dependent credit and the personal income tax brackets shall be indexed to reflect the annual change in the California Consumer Price Index for All Urban Consumers. The indexing shall be cumulative with 1981 as the base year.

19509. For general corporations, the tax rate shall be 12%.

19510. For noncorporate taxpayers, the tax shall be imposed at progressive rates from 0% to 12% with the 12% rate applying to taxable income of over \$25,400 (\$50,800 for married persons filing joint returns). The tax schedule shall contain income brackets of at least \$1,400 and allow income splitting for married persons filing joint returns. The tax schedule shall take into account that no tax is payable on the first \$10,000 of taxable income of a single person or a married person filing separately, or the first \$20,000 of taxable income of married persons filing joint returns.

19511. This part shall be applied with respect to taxable years beginning on and after January 1, 1981 as to individuals, estates and trusts, and to income years beginning on and after January 1, 1981 for all other taxpayers. All provisions of the Personal Income Tax Law (Part 10 of the Revenue and Taxation Code) and the Bank and Corporation Tax Law (Part II of the Revenue and Taxation Code) contrary to this part are superceded for taxable and income years beginning on and after January 1, 1981.

19512. The Legislature, by a two-thirds vote of the members of each house, may change tax rates, adjust personal income tax brackets, allow income averaging for individuals, include exempt items in income or require them to be reported, or change the present method of determining the taxable income of cooperatives. This part does not give the Legislature any new power as to tax exempt organizations and it does not operate to remove exemptions for organizations presently exempt. The Legislature may not provide new exemptions which are inconsistent with this part.

19513. If any section, part, clause or phrase hereof is for any reason held to be invalid or unconstitutional, the remaining sections shall not be affected, but shall remain in full force and effect.



League of California Cities

EMPLOYEE RELATIONS SERVICE

NEWSLETTER

Volume IV, Number 5

October 1979

LOCAL CONTROL OF BUDGETS,
SERVICES AND PRIORITIES
EMASCULATED BY INITIATIVE
CONSTITUTIONAL AMENDMENT
FREEZING POLICE, FIRE AND
EMERGENCY MEDICAL JOBS,
EQUIPMENT AND FACILITIES.

The Secretary of State has transmitted to all county clerks a copy of the title and summary prepared by the Attorney General on a proposed initiative entitled "FIRE, POLICE, AND EMERGENCY MEDICAL SERVICES INITIATIVE CONSTITUTIONAL AMENDMENT." If the petition circulators obtain 553,790 valid signatures prior to February 29, 1980, the proposal will be on the June 1980 primary election ballot. The proposal

would add Article XIII C to the California Constitution. The full text of the measure reads:

"1. Except as provided for in Section 3 of this Article, fire protection, police protection and emergency medical services in any county, city and county, city or special district, shall not be reduced below fire, police and emergency medical service protection levels that existed as of June 30, 1978, or as of the date of adoption of this Article, whichever level is higher.

"2. Protection levels shall be defined to include personnel, equipment and facilities used for the purpose of fire suppression, inspection, investigation, training and support activities; police protection, investigation, training and support activities; and emergency medical services when provided by local fire or police entities.

"3. Counties, cities and counties, cities and special districts by a two-thirds vote of the qualified electors voting may provide for the reduction in the level of protection required by Section 1 of this Article to another specified level of protection.

"4. It shall be the responsibility of the Legislature to enact all necessary legislation to carry out the provisions of this Article. It is the intent of this Article that state, city and county funds shall first be applied to maintain levels of protection provided for by this Article. It is also the intent of this Article that in the event of a reorganization or consolidation of any police or fire entity that the successor entity shall maintain the protection levels of the pre-existing entities as provided for in Section 1."

Every public agency providing fire and police protection and emergency medical services should carefully analyze the proposal and bring its potential impact to the attention of qualified voters before they are persuaded to sign the petition without being fully aware of its consequences. Some of its more obvious implications include the following:

(1) Like many 1-page constitutional initiatives, the proposal is not free from ambiguity. The clear intent seemingly is to prohibit for all time in the future any reduction in fire protection, police protection and emergency medical services provided by any county, city and county, city or special district. (Section 1) The declared intent, however, is that state, city and county funds shall first be applied to maintain the June 30, 1978 (or effective date, if higher) levels of protection required by the new Article. (Section 4) Literally that would mean the State of California and the City and County of San Francisco are the only two agencies whose funds shall first be applied to maintain such level of protection. Leaving out any reference to counties, cities or special districts in Section 4 of the proposal to save a few words does not help in determining intent.

For the purpose of this analysis we assume that counties and cities must also first apply their available funds to maintain the required level of protection. Whether special district funds also must first be applied to maintain the level of protection will require court interpretation. The proponents overlook the fact that there are multi-purpose special districts. Presumably state funds also must first be applied to maintain levels of protection that existed on June 30, 1978, or the effective date of the act. Are these levels of protection of state provided fire and police protection and emergency medical services or locally provided services? Sections 1 and 2 of the proposal do not clearly answer this question.

(2) The definition of "protection levels" includes personnel. Here again, while there is some ambiguity because of the punctuation, it seems evident that personnel, equipment and facilities apply to police protection and emergency medical services as well as fire protection services. Assuming this interpretation, it then becomes clear that all local governmental agencies as well as the state itself (Section 4) will be required to maintain the same number of firemen, policemen, highway patrolmen, deputy sheriffs, investigators, training officials, communication employees, etc. as were employed on June 30, 1978, or the effective date of the act when more are employed on that date. Therefore, notwithstanding completely changed circumstances, the primary purpose of this police and fire service proposal appears to be to protect jobs even though the current facts no longer warrant such positions.

In the 10-year period between fiscal years 1967-78 and 1977-78, the cost of city police protection alone increased 348%. Fire protection was not far behind at 285%. Both costs are increasing faster than any other local services. It should be noted that this constitutional freeze would prohibit even a reduction in costs by attrition and since Proposition 13 many public agencies in order to meet problems created by reduced revenue have simply not filled job vacancies. If this proposal qualifies and is approved, this method of cutting back governmental costs will be prohibited because the "level of protection" includes the same level of personnel employed either on June 30, 1978, or the effective date of the initiative (June 1980).

(3) The reduction of governmental costs by the elimination of equipment or facilities also is prohibited. Thus, if a local agency now has a fleet of expensive helicopters and helicopter pilots which prove to be less protective than using the same funds to add foot patrolmen, there is nothing a local public

agency may do to eliminate such equipment even though it may have been provided with federal funds. The same problem arises in connection with a wide variety of training and support activities. "Support" activities are not defined and may extend to several other departments of local government as well as to all civilian personnel in fire and police departments. For example, a local agency in order to maintain the level of fire suppression, inspection, investigation, training and support activities would have to maintain a number of other municipal departments at the same high level. These would include all of those departments that are considered in determining a local jurisdiction's fire grading and rating, i.e., building inspection, water supply, police protection and communications. Similarly, it could be argued that the level of street and other safety lighting would have to be maintained notwithstanding an energy shortage.

(4) Apparently the proponents are interested only in emergency medical services provided by local fire or police entities. Emergency medical services provided by competent and independent public agencies are apparently not considered as vital as those provided by firemen and policemen.

(5) The new Article XIII C would largely make meaningless the Home Rule provisions of the California Constitution. The authority of governing bodies of local agencies to determine priorities would be wholly emasculated. Sections 4 and 5 of Article XI of the California Constitution grant full authority to charter counties and charter cities to provide for the number of officers, deputies and other employees as well as for their qualification, compensation, tenure and removal. The proposed constitutional initiative directly conflicts with these Home Rule provisions and being a later enactment would probably control. The Legislature pursuant to Article XI has authorized other local agencies to determine their own budgets, number of employees and level of services. The proposed initiative directly conflicts with this authority.

(6) Proposition 13 drastically reduced local property tax revenue. The Gann Initiative will, if approved, place a ceiling on expenditures. If state revenues are significantly reduced because of a recession or because of a limitation on other state taxes such as income taxes, there will be no bailout funds available. Under these circumstances, state and local agencies first would have to devote available state and local funds to maintain the level of fire and police protection and emergency medical services before taking care of all other state and local governmental services. Even with bailout funds a 13% inflation rate will cut deeply into all levels of service except police and fire protection.

(7) Finally, the escape hatch provided by the proposal of a two-thirds vote of the qualified electors is the usual extraordinary vote required by those who want to freeze into the Constitution their pet projects, in this case jobs, equipment and facilities. Thus, a minority, and a very small minority, will for all time in the future make the decisions for a majority of the voters.

The public should be fully aware of the impact this proposal will have on state and local decision-making authorities, their budgets and their ability to provide all governmental services.

=====

EMPLOYERS REQUIRED TO PAY FOR
SAFETY DEVICES AND CLOTHING.

In a sweeping and unanimous decision, the California Supreme Court has concluded that an employer (including public employers) may be required by the Division of Occupational Safety and Health, Department of Industrial Relations, to provide certain



League of California Cities

EMPLOYEE RELATIONS SERVICE

NEWSLETTER

Volume IV, Number 7

December 1979

FREEZING LEVEL OF POLICE
AND FIRE SERVICES.
SUFFOCATION BY INITIATIVE.

In the October 1979 ERS newsletter, we reproduced the text of a Fire, Police and Emergency Medical Services Initiative Constitutional Amendment and indicated that if the petition circulators obtained 553,790 valid signatures by

February 29, 1980, the proposal would be on the June ballot. Since that time the proponents have filed a new Initiative which will require the same number of signatures which must be filed prior to May 8, 1980, in order to qualify for the general election ballot in November. The only difference in the two proposals is that the new substitute has a different title and summary and the only reason for the distinction is so the two would not be confused. The new substitute Initiative title is "Maintenance of Emergency Services. Initiative Constitutional Amendment." The body of the proposal which would add Article XIII C to the California Constitution includes not only the same language but also the same punctuation and the same ambiguities. However, the major difference in the two proposals is that the new one will undoubtedly qualify. We have been advised that the same firm responsible for qualifying the Jarvis II and Gann Initiatives has been employed to qualify this Initiative. The new method of circulating petitions entirely by mail to registered voters while at the same time soliciting funds for additional mailings, produces valid petition and circulator signatures and enough revenue for more mailings and for the campaign. The Jarvis II and Gann Initiatives easily qualified using this same procedure. We urge local governmental entities responsible for maintaining all governmental services, and not just police and fire protection or emergency medical services, to again review the October 1979 newsletter and if you have misplaced your copy, we will be happy to send you another copy.

For those who are not aware of the contents of the Initiative, we simply note that it will require counties, cities and special districts to maintain the same level of fire, police and emergency medical services as provided on June 30, 1978, or the date of the approval of the Initiative, whichever level is higher. Protection level includes "personnel, equipment and facilities" used for direct, as well as for support of, fire and police services and for emergency medical services when provided by fire and police entities. The Initiative expressly provides that county and city funds shall be applied first to maintain such levels of protection.

Neighborhood Politics for the 1980s

by John Mollenkopf

Neighborhood organizations will face economic and political conditions during the 1980s dramatically different from those of the past. The economic growth of the late 1960s has apparently given way to chronic stagflation in the 1970s. This economic context has heightened competition between social groups, each seeking to preserve their own patterns of consumption, regardless of the consequences for less powerful groups. The traditional political alliances which have provided the constituency for government programs have also fallen apart. In part, specific program constituencies no longer feel that their interests are being served well and, in part, the citizenry as a whole has become reluctant to finance government services which go not to them but to some "special interest."

In short, traditional pork-barrel liberalism has reached its Waterloo. Ironically, neighborhood challenges to programs which never really got through to the people on the street helped set the stage for pork-barrel liberalism's current impasse. Though sixties' activists may have been critical, they ultimately embraced the Model Cities programs, project area committees, mental health advisory boards, and other devices designed to

bring them into the pork-barrel fold. The breakdown in government's larger constituency has been particularly painful for neighborhood organizations because, as pork-barrel liberalism's most junior partner, they have typically been thrown overboard first. The increasingly difficult economic and political conditions ahead thus pose a basic question to neighborhood organizations: as old political patterns break apart, how can the emerging elements be put together around a new, progressive political vision? How can we take what was best from the 1960s experience and fashion it into a political strategy for the 1980s?

If liberalism's current sad state is a challenge, it is also an opportunity. While the varied elements of what we used to call "the movement" face considerable obstacles, we also possess real political resources which, if applied strategically and with sensitivity to the changing political and economic context, can lead to substantial gains. If we fail to act strategically, the risks will be great. We must establish for ourselves the salient aspects of our strategic situation, the strengths and weaknesses we bring with us from the 1960s, and the logical strategies which flow out of them. We must also consider the costs we will absorb if we fail to act strategically.

THE CONTEXT: PROPOSITION 13

A good many misconceptions about

Proposition 13 are currently floating around Washington and the rest of the eastern seaboard. It is often thought that government in California has suffered, that government spending was the main issue, and that the overall size of government was what led voters to back the measure. It is also frequently said that Proposition 13 represents a kind of populism which (and here the ostriches start to put their heads in the sand) might be "captured" by traditional liberalism.

In truth, state and local spending continues to rise (though more slowly) and state government power has expanded. This is because Proposition 13 focused on local taxing, not spending. Because particular levels of government derive their autonomy from the power to tax, Proposition 13 has dramatically shifted power from local government to state government. In the course of this shift, the composition, rather than the overall size, of government spending is what has come under greatest scrutiny. Services characteristically provided by local government—particularly education, parks, recreation, and social services—have been traumatized, while other elements, particularly property-related services like police and fire protection, have been maintained by state mandates and funding.

The changing composition of services reflects the fact that most middle-income taxpayers feel that government gives them little in services in return

JOHN MOLLENKOPF is director of the urban studies program at Stanford University.

for their tax dollar. This point cannot be stressed too boldly: the roots of Proposition 13 may be found in the fact that, given steady inflation in basic household expense items, government's traditional package of services no longer corresponds to what taxpayers want, need, or actually utilize. To use business school language, the public sector faces a severe marketing problem in which consumers are willing to forego traditional public products because they are often strapped in paying for basic necessities like housing. The conservative genius behind Proposition 13 lies in its focal attack on local government (which according to opinion polls taxpayers ironically perceive as giving the greatest service in return for their dollars).¹ Conservatives mobilized the generalized sentiment that government wasn't producing the right package of services in a way which rewarded property owners, undermined the most responsive level of government, and shifted power to a level of government traditionally more responsive to rural and conservative interests.

Conservative shrewdness in mobilizing this sentiment should not blind us to the motive force behind Proposition 13. Given a background of increasing economic competition to preserve consumption patterns, people do not want to pay for government programs which they don't use. The vote for Proposition 13 was highest among middle-income suburbanites. These are the jurisdictions which have traditionally been major primary and secondary education providers. The revolution in life cycles, sex roles, and family patterns has led to sharply decreasing school enrollments in these cities. Coupled with sharply rising property values and the perception that the property tax was penalizing people for unrealized capital gains, this disjunction between services and needs created a fertile climate for the tax revolt. It is little wonder that public education has suffered heavily in the

To the extent that the community services which have been developed since the 1960s actually better serve community needs than "regular" agencies have been able to do, they constitute the germ of an alternative.

wake of Proposition 13.

These trends have obvious positive and negative consequences for neighborhood activists. On the negative side, to the extent that neighborhood-oriented programs seem to be just one more part of an overall structure of government programs which has become outmoded—pork-barrel liberalism—they will suffer. Proposition 13 has indeed thrown programmatic liberalism on the defensive in California. Progressives' instinctive reaction has been to engage in special interest lobbying designed to protect their pet programs regarding the disabled, low-income housing tenants, etc. Unfortunately, they not only lose in this scramble to the more powerful lobbies, but they also reinforce to outsiders their image as participants in the usual pork-barrel politics.

But these trends also offer neighborhood activists a positive opportunity; they can design a package of programs which genuinely responds to community needs and builds up emerging political constituencies in the process. Ordinarily, inertia would prevent the necessary resource reallocations and bureaucratic changes from taking place; the attack on government may well change all that. The key task for neighborhood activists is to articulate programmatic changes in ways that rise above traditional pork-barrel liberalism. In this pursuit, neighborhood activists have a potential edge over conservatives because they have a good answer for the question: Why doesn't government serve people's needs? Conservatives say that self-

serving public employees have too much power and that government is inherently inept, and cannot solve social problems. These are "blame-the-victim" answers which do not withstand close examination. Neighborhood activists know that it is rare for government to serve real community needs; government programs are consistently subordinated to marketplace considerations and as often as not are designed to fail as much as to succeed. Neighborhood activists can capitalize on the trends underlying Proposition 13 and similar efforts if they can convince the citizenry as a whole that they understand current distress with government and they can best explain why government does not serve the people. To do so, however, neighborhood activists must rise above the junior version of pork-barrel liberalism which the last several decades of government policy have frequently led them to adopt. They must also take taxation, consumption, and inflation issues far more seriously by developing programs which respond to working people's real needs in these areas.

WEAKNESSES IN THE MOVEMENT LEGACY

Federal policy towards big city neighborhoods has gone through three basic phases since 1960. First, the era of urban renewal launched an attack on "blight," another term for "inner city working-class neighborhoods." At the time, these neighborhoods were, for the most part, politically disorganized. Opposition to federal policy generated intense activism within them which led to a whole new political vocabulary based on ideas like participatory planning, community self-determination, and equal opportunity. The second phase, lasting between the riots and the Nixon-Ford years, seemed directed (whether by design or not) at co-opting and, in effect, compromising the emerging neighborhood movement. In the process, neighborhood residents became clients rather than constituents. Finally, in recent years conservative forces have moved steadily to starve the network of community-based service organizations as well as the big city administrations which had increasingly relied upon them as a

¹ "Public's View On Wasto of Tax Dollars," *San Francisco Chronicle* (November 19, 1979) reports Gallup Poll findings to this effect. See also "Tax Revolt Targeted at Poor Service," *Washington Post*, October 1, 1979.

political base. (The Carter administration appears to be only a partial and temporary exception to this conservative strategy.)²

This sequence of policies has induced neighborhood organizations to evolve in ways that represent political weaknesses in the current context. As a matter of predisposition, convenience, and survival, neighborhood leaders and organizers shifted their efforts from political mobilization to provision of social services under contract to the government. Because many of those who helped organize neighborhoods were either professionals or sought upward mobility by creating new professional roles, they felt comfortable in treating their constituencies as clients rather than as citizens. As a result, they foresook the right to speak politically and became yet more pleaders for yet one more specific program function. Government funding not only restricted their right to speak politically, but made neighborhood leaders much more sensitive to the agendas of government program managers and legislative brokers than to their constituents' needs. As more and more neighborhood organizations took on this role, a kind of programmatic "clientelism" proliferated, as did competition among client groups to get and keep grants. Whereas neighborhood activism started out expressing a sense of community defined from below and in opposition to government policies, it ended by expressing a sense of community defined from above by government itself.

In the conservative mobilization against government, this pattern of development has obviously made the neighborhood movement vulnerable. Insofar as the programs which have resulted serve the providers more effectively than they serve client neighborhoods, the widespread neighborhood organization movement deserves its share of the overall criticism directed at government. But to the extent that the community services which

American politics runs on votes and money; lacking the latter, neighborhood advocates and those with a stake in quality public services must be able to produce the former.

have been developed since the 1960s actually better serve community needs than "regular" agencies, they constitute the germ of an alternative. In most any community, in the suburbs as well as in the central city, such examples can be found. What is almost always lacking, however, is a medium through which these types of programs and their constituencies can express themselves politically. As the administrative and organizational side of the neighborhood movement has grown stronger, its political side has grown correspondingly weaker (at least as an independent voice). The neighborhood movement needs to find its political voice. This is more important than lobbying to save particular community service agencies because only a strong political voice can save such services in general and also because only an explicitly political organization, independent of the service agencies, can effectively criticize and improve their performance.

REDISCOVERING THE NEIGHBORHOODS' LOST POLITICAL VOICE

In order to reassert an effective political voice, neighborhood organizations and their allies should do the following:

- * They must move beyond lobbying and single issue activism into the electoral arena.
- * They must in the process build coalitions across ethnic groups, issue areas, and between neighborhoods and the labor movement.
- * They must find ways to build a mutual interdependence between issue activism and electoral activ-

ism.

- * They must create a tailor-made set of government services which actually serve community needs and in the process strengthen a new constituency for the public sector.

These four steps amount to rebuilding the national Democratic Party through a series of big city and suburban political organizations which are based on labor-neighborhood alliances. In place of traditional pork-barrel liberalism, a political movement of this sort would offer programs designed to strengthen the quality of community life in an inflationary era and would provide a way to hold government accountable for its performance.

These prescriptions will probably sound wrong-headed and naive to those who have harbored deep suspicions about electoral politics in the past. It is certainly not my contention that a revitalized, neighborhood-based electoral politics can avoid all the inherent and well-established pathologies which characterize the American political system. Rather, neighborhood activists can make the best of a difficult situation by following these steps—steps that can help us avoid the nasty consequences which will surely develop if we fail to launch a political initiative of this type.

Neighborhood activists should work at electoral politics because it offers about the only way of getting beyond the single-issue, special-interest vulnerability now characterizing neighborhood activism. Electoral activity forces neighborhood leaders to go directly to constituents for political support and it provides a bottom-line test for whether they have delivered adequate services to their constituents. Neighborhoods increasingly find allies in local public officials. Finally, electoral politics is where the race to organize political power is ultimately decided. American politics runs on votes and money; lacking the latter, neighborhood advocates and those with a stake in quality public services must be able to produce the former.

One of the best things about electoral politics is that to win you must put together a coalition of diverse interests. Electoral politics thus offers a

² For the factual background leading to these assertions, see my "Neighborhood Political Development and the Politics of Urban Growth," in Robert Hollister and Philip Clay, (eds.), *Neighborhood Policy* (Cambridge: MIT Press, forthcoming).

partial remedy for the programmatic clientelism which has done so much to make the neighborhood movement vulnerable to manipulation from above. If the constituent elements possessing a stake in community-oriented services—minority neighborhoods, community organizations, public employees' unions, and advocacy professionals—can build reciprocal relations, they can start to reverse the flow of influence. Moreover, in the context of an attack on the public sector, these groups must hang together and innovate together, or they will hang separately.

Like neighborhood activism, electoral politics has its own characteristic pathologies: Once elected, politicians cease to heed their supporters. To get elected, they are liable to say anything which increases their standing in the polls. The legislative system tends to respond to vested interests, not constituents. Mayors find that to govern, they must rely on different people than those who elected them. In an era of media politics, personalities drive out issues of substance. As neighborhood activists enter the political arena, they must retain their base in grassroots issue activism and make both efforts rely on each other. They must use the organizational base built up in community service as a device for keeping their political efforts honest. This would imply the development of the local Democratic Party as a stronger organization, independent of both specific politicians and specific neighborhood organizations but capable of relating each to the other.

Finally, neighborhood activists and their allies must cement this set of political relationships by developing government programs which respond to community needs. Housing is an area where examples can be sketched: most central city and many suburban neighborhoods face severe market pressures. Housing is one of the key elements of our highly inflationary environment. Housing programs which help neighborhood residents insulate themselves from market forces, and which increase the choices available to working people make a great deal of political sense. Public financing for cooperative conversion of rent-

One of the best things about electoral politics is that to win, you must put together a coalition of diverse interests.

al units, public land-banking, moderate-rent housing development, and similar programs could be expanded. The 1960s had its share of failures, but it also demonstrated that real achievements could be made in this area. As neighborhood activists forge coalitions in the electoral arena, they should pick up and expand the successful housing strategies. There are many other areas where government could produce less costly and more attractive services than the private sector is able, or at any rate willing, to offer.

If neighborhood activists across the country took the previous four steps seriously, they would make a real impact on public policy and the country's political mood. If we look to Washington, which offers a Hobson's choice between a decrepit pork-barrel liberalism and conservative austerity, for leadership, we will probably have to wait forever. If neighborhood activists mobilized politically in enough congressional districts around the country, it might make considerable difference in Washington's behavior. What may be gained, however, is only half the story.

If neighborhood activists fail to take the course recommended here, the costs will be great. Conservatives have found a decisive point of leverage against pork-barrel liberalism. They know that it works better for those who are providing government services than for those who are supposed to be receiving them. Though neighborhood activists are as responsible as anyone for bringing this fact to national political attention, conservatives have stolen the march in defining the issue and getting it to serve their political direction. If we fail to counter their ploy, the cuts will run tragically deeper. The more successfully conservatives can privatize society and hand over key public decisions to the private sector,

the more we will have lost the legacy of the 1960s and the less we will take with us into the 1980s. Jarvis-Gann and Proposition 13 will look like a warm-up exercise.

This outcome is not inevitable unless the left fails to act. It is critical to begin by examining working people's real needs in a period of stagflation and by designing public responses to them. The conservative answer—retreat to the private sector—will not speak to people's problems, if current experience is any guide. By getting beyond their specific issue areas, by getting into electoral coalitions, and by getting government to respond to these needs, neighborhood organizations can deliver on their historical promise. ■

If neighborhood activists mobilized politically in enough congressional districts around the country, it might make considerable difference in Washington's behavior.

Berkeley
gazette

Blazing new fire insurance trails

By FRASER FELTER

Property owners from Crockett to Berkeley pay more than \$10 million a year in taxes to support fire departments, and at least twice that amount to insure companies to protect their investments.

Some observers have seen that a duplication of private insurance and public fire protection in Berkeley's Institute for Local Self-Government is conducting a federally funded inquiry into the matter.

What comes out of the study, in June, may lead to a revolution in the method of financing fire protection throughout the nation.

The idea, already branded as "smacking of socialism" by some insurance industry spokesmen, is simple.

Municipalities or districts now providing fire protection would form corporations, which would then insure the structures within their protection areas now covered by private insurance.

Premiums currently paid the private insurance companies would then be used to support the costs of the firefighting efforts, in addition to paying out on liability claims.

In the Berkeley to Crockett corridor it would mean that the average \$85 per household now paid in taxes to support the fire

departments could be redirected to other public needs, such as schools or welfare functions, or simply given back to the taxpayers in the form of a tax cut.

Two recent studies done by the cities of Mill Valley and Mountain View have indicated such a plan would work ideally for them.

Mill Valley found that the city would enjoy an income of almost \$2 million a year against losses estimated at \$400,000. The difference could be applied to fire department financing and premium reductions for the homeowners.

Mountain View had a similar finding, and the results stirred up interested cities and fire districts throughout the state in the aftermath of Proposition 13 cutbacks.

In West Contra Costa County city officials in Pinole, Richmond, El Cerrito, San Pablo and Hercules have all expressed interest in the idea. In addition to the Rodeo and West County fire protection districts and the Kensington Fire District.

All of those entities are now supplying fire cost and suppression data to the Berkeley-based Institute conducting the study under a \$333,000 grant from the United States Fire Administration.

Mill Valley City Councilman Douglas Binderup, an insurance executive who served on his city's task force which studied the

municipal fire insurance concept, said the plan poses a threat to his industry.

Saying that as a businessman he considers the concept of municipal fire insurance "a direct affront to the free enterprise system," Binderup added:

"For the insurance industry to adopt the attitude that municipal fire insurance would have no appeal to the policyholder would indeed be lulling ourselves into a false sense of security."

"We must remember that the insured is also a taxpayer. A person who has witnessed both his property tax and his insurance

(Turn to Page 7, Col. 1)

INSURANCE

(Continued from Page 1)

premiums escalate with inflation, the temptation to recycle his premium dollars back into the community to defray the cost of the fire department (thus lowering his property tax), would be very appealing."

Binderup said he sees a danger because profits from the premiums could be diverted to support police and public works departments and that it tells the individual living within the fire corporation area that "he has no choice as to what insurance company he will do business with."

John Houlihan, former Oakland mayor and now executive director of the Institute for Local Self-Government, argues that at present fire insurance rates are set on the basis of losses under formulas established by the private insurers.

"Public fire department operations in staffing, equipment, water resources and deployment are all rated by the insurers' organization," the Insurance Service Office, Houlihan said.

The result: Public agencies are forced to improve their firefighting capabilities or face a poor rating, something that then reflects in higher premium rates imposed on the property owners by the insurance carrier.

An earlier report by the institute states:

"Fire insurance companies who profit from both the tax-supported fire prevention and fire suppression resources of a city contribute nothing to the general fund of the municipality that protects the company's interests."

"It is the contention of the institute that if fire suppression, fire prevention, and fire insurance

were placed under municipal auspices, local government could most cost-effectively coordinate a total fire loss management program."

Institute estimates are that municipal or district assumption of the fire insurance "would eliminate the commission and sales overhead of private companies, estimated to be about 25 percent of gross; another 10 percent would be saved by eliminating profits paid to investors."

The insurance industry is already organizing against the proposal which cuts deeply into their pocketbooks.

Pleasanton broker Ben Fernandez has put together 19 reasons why municipal fire insurance "just won't work." One of them says "The entire plan smacks of socialism. Are California taxpayers ready for this?"

Other reasons cited are that few communities could withstand the financial disaster which develops after a Santa Barbara-type brush fire; the increasing number of city employee strikes could cause a slowdown in premium and claims paperwork; there would be a lack of rate control with the lack of competition; and it is an attack on the free enterprise system.

A Fountain Valley, Calif., Safeco agent, Mike Heywood, is spearheading the opposition to the proposal.

With surprising candor, Heywood said in an industry newsletter:

"We have to recognize the inherent apparent benefits of this plan in terms of reduced premiums and possibly reduced taxes to residents of cities that adopt the program, and we have to look at the inequities presented by the In-

surance Service Office grading formula, in an effort to come up with good solid arguments against this program."

Heywood recommended that the industry should concentrate in Sacramento and aim its efforts "at blocking any legislation introduced on behalf of cities wishing to adopt this plan."

He said the industry should also move toward "introducing legislation countering this attempt to interfere in the successful operation of private operation of fire insurance."

Contra Costa County Supervisor Robert Schroder, the owner of a successful Walnut Creek insurance agency engaged in selling fire insurance, was chairman of the supervisor's powerful finance committee this past year during budget deliberations.

In that role, Schroder agonized over the total \$21.8 million budgets of the 17 separate fire districts in the county that the board has some fiscal control over.

Adhering to the board's policy that fire protection tops the list of priorities for allocation of tax money, Schroder oversaw the cutting of dozens of other county budgets to make sure there was enough money for fire protection.

However, Schroder vehemently opposes the municipal fire insurance concept and says "I will vigorously fight any studies or proposals to set this kind of thing up."

Schroder said he views the concept as "a monumental bureaucracy that could never be controlled ... one foot in the door for government to infringe on free enterprise."

And, at the bottom line, the supervisor admits, "It would also put me out of business!"

The Real Costs of Development:

Cities Take a New Look

by Barbara McCarty and Irv Eachus

Long before the passage of Proposition 13, many California cities were carefully weighing the pros and cons of new residential, commercial and industrial development. Among the factors being considered was the potential strain on certain public services, particularly education; but for the most part the debate centered on more philosophical issues including such things as the effect of growth on the environment, its impact on existing commercial areas and generally its effect on the "community character." One factor that was *not* usually considered was the development's net fiscal impact on local government. It was assumed — and for good reason — that any well planned new development would generate as much revenue for the city in property taxes as it would cost in added services, at least over the long run.

Today, however, that assumption is no longer a safe one. As a result of Proposition 13, property tax revenues for a given development have decreased by approximately two-thirds while the cost of local services continues to increase in accordance with rapidly rising costs of labor, energy and materials. And that figure is only one of the many parameters which have a direct bearing on the fiscal impact of development. Among the other things which must be considered on the revenue side are the impact the development may have on other local revenues, particularly the sales tax, the ownership turnover rate which will affect total assessments, and the general rate of inflation of property market values. Considerations on the cost side are at least as complex, involving such variables as the rate of inflation, energy costs and future employee salaries.

Cautious Attitudes

During the period of financial uncertainty following the passage of Proposition 13, many cities adopted a cautious attitude towards new development, in line with the generally conservative

posture they were forced to assume in all areas of municipal management. A League survey of 12 cities representing a geographic, demographic and economic cross-section of California communities identified the following general responses:

— A strong reluctance on the part of city officials to approve new development which cannot demonstrate convincingly a positive fiscal impact.

— Approval of new development conditioned upon the payment of certain charges (e.g. "bedroom tax," "impact fees") to defray partially the costs of providing public improvements to new developments.

— An emphasis on in-fill developments which take advantage of the existing infrastructure.

— A reference for developments which generate revenues other than property taxes, such as sales tax, general or special use taxes.

— The refusal to approve development or conditional development projects necessary to accommodate future development.

The overall result has been a significant slowdown in the rate of development approval and a shift in the balance of residential, commercial and industrial growth. Unfortunately, the result may also be an inadequate housing supply, increasing costs for new housing, less economic diversity and a growing inability to accommodate future growth.

Nevertheless cities must look even more closely at the potential fiscal impact of all kinds of development. Today, when cities are experiencing serious difficulty in maintaining existing levels of service and, in some cases, are being forced to cut back on those services, it is simply not possible to

absorb additional costs unless additional off-setting revenues can be assured.

Negative Fiscal Impact

There is ample evidence to show that since the passage of Proposition 13, new development may very likely have a negative fiscal impact on the city. Studies by the League show that in instances where a quantified fiscal impact analysis was conducted, most proposed developments resulted in a net drain on the municipal treasury. The only "break-even" projects identified in the studies were those which recouped service costs through fees, and one in-fill project for which services were already in place.

This is not to say that every development will necessarily be a municipal money loser and a burden to the taxpayer. Through a combination of reasonably structured fees and adjustments in such factors as the sales tax rate and the general use tax rate, many projects would at least break even. And city indices show a number of municipalities where new development to have a benign fiscal impact, and that cities must expand the economic impact component within their review processes.

The accompanying table shows the results of an Office of Planning and Research study of ten cities.¹ The League's study revealed analyses with similar results in Petaluma, Richmond, and Fullerton. One case identified by the League study, the Delta Shores project in Sacramento, exemplifies the situation where a negative fiscal impact may force the city council to reject development.

The proposal was for a 1500-acre project providing an estimated 4,200 new dwelling units in a variety of housing styles, densities and prices

(continued on next page)

Barbara McCarty researched this article while serving as a Research Intern with the League. Irv Eachus is Assistant Director of the League's Economic Development Project.

¹ Stephen Hathaway, *New Housing, Paying Its Way?*, California Office of Planning and Research, Sacramento, May 1979.

The Real Costs (continued)

(54% single-family dwellings, 10% duplexes, 15% townhouses and 21% medium-density apartments). Sacramento conducted a cost-revenue analysis within the EIR of the Delta Shores project showing that costs exceeded revenues at an annually increasing rate. The analysis projected the first-year revenues from the new development would be \$1,097,000 and the costs to provide capital improvements and services to the development would be \$1,433,000 — a negative impact of \$336,000. Each year for eight years the negative impact increased showing a projected imbalance in 1985-86 and later years of \$562,000 annually. The Sacramento figures assumed that (1) the method of allocating property tax revenues will remain unchanged, (2) other city revenues will inflate at 7% annually, (3) the market value of housing will inflate at 10% annually and (4) housing turnover will have an annual rate of 20%.

Other Consequences

In addition to identifying negative

fiscal impacts, the League study also identified several other development-related consequences of Proposition 13.

- The costs of *maintaining* services are becoming as much of a concern as the start-up costs relating to new developments. A number of communities, like Irvine, are now factoring these maintenance costs into their cost-benefit analyses. Other cities are utilizing innovative ways to pay for the maintenance of services over the lifespan of a project. In Fairfield, for example, the Hahn Company recently entered into an agreement with the redevelopment agency to pass on 10% of all profits over \$250,000 received from leases in a new shopping center to help defray added service costs.²

- Annexation plans are being postponed or cancelled altogether. For example, the City of Modesto, prior to Proposition 13, was competing with a neighboring community to annex a heavy industrial area south of the city. Now, with the uncertainties of property tax, neither city wants to annex the area. Similarly Petaluma has dropped annexation plans for a

10,000-resident area because of a possible negative cost-revenue impact on the city.

- The decreased utility of tax increment financing has resulted in the postponement or scaling down of redevelopment and revitalization programs in six of the 12 cities studied.

- Reserve and Revenue Sharing funds which would have been available for expanding local services are being used to replace revenues lost to Proposition 13. Fullerton and Petaluma, for instance, are using reserves targeted for capital improvements to replace lost revenues. Irvine is using its equipment replacement reserve. Lodi is depending on income from its municipal utility. Ninety percent of Fremont's revenue-sharing funds are now going for operating expenses.

- Not the least of the impacts of Proposition 13 may be that many communities will not be able to afford the expertise to make calculated decisions concerning new development.

League Action

According to its broadest definition,
(continued on page 35)

² See the "City Scene" Section of *Western City Magazine*, June 1979 for details.

SUMMARY OF TEN COST/REVENUE STUDIES

| City | Project Size | Revenue Loss | Time Frame |
|-----------------------------|--|--|------------------------|
| 1. ANAHEIM | 521 Single-Family 379 Multi-Family | \$16-\$35 Million | 10 Years |
| 2. CORONA | 612 Single-Family | \$600,000 | 5 Years |
| 3. FAIRFIELD | 997 Single-Family 347 Multi-Family | \$600,000 \$1 Million | 15 Years 20 Years |
| 4. LOS ANGELES ¹ | \$70,000 to \$110,000 Flatland Homes \$140,000 Hillside Homes | \$300 Per Unit \$420 Per Unit | Each Year Each Year |
| 5. SACRAMENTO | 25,000 Single- and Multi-Family Units Shopping Center and Office Complex with Assessed Value of \$35 Million | \$4.3 Million | Each Year |
| 6. SAN JOSE | City General Plan | City-wide Reduction in Operating Standards | 1979-80 |
| 7. SAN JUAN CAPISTRANO | 1,200 Residential Units | \$468,000 with Development Fees; \$2.6 Million without Development Fees | 10 Years 10 Years |
| 8. SIMI VALLEY | 250 Single-Family Units | Breakeven Because Project is Infill, Otherwise Substantial Loss. | |
| 9. VENTURA | 75 Different Projects With Over 4,800 Single-Family Units | Nearly All of the 75 Projects Lost Money; Only Exception was Extremely Expensive Housing. | Not Available |
| 10. VISALIA ² | City-wide Estimate of Average Costs and Revenues | \$19 Per Person | Each Year |

¹ Study included only property related services and revenues.

² Assumes SB 154 allocations formula will not be changed.

The Real Costs

(continued from page 22)

economic development is any activity which has the potential to improve an area's economic health, whether it addresses housing opportunities, employment, retail sales, or a wide range of similar conditions. Under this definition virtually every city and county in the state is involved in economic development and has been all along. In many cases that involvement is deliberate, including such programs as redevelopment, commercial and industrial development, downtown revitalization, land packaging, and economic impact assessment. In other cases that involvement is just as real, though not always identified as such. Planning and zoning decisions, for example, clearly impact the type, rate and direction of economic growth by affecting the availability of land for commercial and industrial use and the availability of housing for the existing and potential labor pool. The permit approval process has similar direct economic development consequences. Likewise, decisions which relate to the level of services, to transportation, to recre-

ation and amenities and to governmental organization can have a significant effect on the economic environment. In fact, it may be argued that every local decision is an economic development decision in one way or another.

To assist all local governments in understanding the potential economic impact of decisions, including the cost and benefits of future development, the League has begun a year-long Economic Development Project. Undertaken in cooperation with the U.S. Economic Development Administration and the State Office of Local Economic Development, the project has three goals: to provide information and technical resources to local officials; to generate communications between local officials with differing economic development experiences; and to facilitate communications between local officials and state or federal agencies.

Among the elements currently being considered are:

— An Economic Development Handbook for California local officials;

— Training seminars for elected officials and administrative staff, and for

economic development practitioners;

— Directories of Technical Information, Associations and Organizations, Federal Aid Programs, Funding Sources, Consultants, and Private Programs;

— An inquiry service for issues related to economic development;

— Audio-visual presentations;

— Bulletins on economic development-related legislation issues;

— Detailed case studies of successful local economic development programs and strategies;

— A statewide catalogue of local economic development activities.■

Now that the legislature has passed AB 8, a middle-term funding mechanism for local government which provides a moderate increase in the property-tax base along with excellent revenue growth potential in many cases, some of the revenue uncertainty has been removed. Cities should be better able to assess the fiscal impacts of new developments, at least for the short range. The data makes it clear that such assessments are essential if cities are to maintain their economic viability. ■



PROVINCIAL SYSTEMS, INC.

NEW FIRM
NEW CONCEPTS

APPLYING ADVANCED AEROSPACE SYSTEMS
TECHNOLOGY TO MUNICIPALITIES

SPECIALIST IN MUNICIPAL DATA PROCESSING

CONSULTING • CUSTOMIZED SOFTWARE MODULES • TURNKEY SYSTEMS

■ POLICE SYSTEMS

BCS REPORTING
MANAGEMENT DATA
TIME ANALYSIS
FIELD INVESTIGATION DATA
CRIME ANALYSIS
CITATION ANALYSIS

- FINANCIAL SYSTEMS
- INVENTORY CONTROL SYSTEMS
- VEHICLE AND FACILITY
MAINTENANCE SYSTEMS

■ LAND USE SYSTEM

A DYNAMIC CONCEPT THAT ALLOWS
GEOGRAPHICAL ANALYSIS OF ALMOST
ANY INFORMATION THAT IS ADDRESS
OR PARCEL NUMBER RELATED—
IT INCORPORATES:

- BUSINESS LICENSE SYSTEM
- UTILITY BILLING SYSTEM
- CENSUS DATA ANALYSIS
- ASSESSOR SYSTEM
- PERMIT SYSTEM

21131 AMBERWICK LANE HUNTINGTON BEACH, CALIFORNIA 92646 (714) 963-5028

SEE US AT THE CONFERENCE - BOOTH 155 - REGISTER FOR FREE DRAWING

ST

COMMISSION ON GOVERNMENT REFORM

Established by Executive Order No. B-45-73



(916) 445-8582
 State Capitol, Room 1145
 Sacramento, CA 95814

STATE GOVERNMENT, L.
 LIBRARY

OCT 2 1979

TRANSMITTAL OF TASK FORCE PROJECT REPORT

UNIVERSITY OF CALIFORNIA

Date: October 30, 1978

TO: Committee on: Proposition 13 X Expenditures
 Tax System Organization

FROM: Commission Staff

SUBJECT: Report on Project No. III-2

[Development of conceptual basis for defining
 necessary programs and for eliminating or reducing
 programs for limiting program costs]

Attached is the report on the above noted project as received from the Task Force. Copies of the report have also been provided to members of the Task Force and to the State Library for public reference.

The Commission Staff wishes to offer the following comments on this report:

Please note the specific attachment by a member of the Task Force.

By

Roger C. Anderman, Special Assistant to the Chairman

cc: Other Commission Members
 Staff (3), Files (2), State Library (3), Task Force Members (12)

REPORT TO
COMMISSION ON GOVERNMENT REFORM

Task Force III-2

October 3, 1978

THIS REPORT HAS BEEN PREPARED BY A TASK FORCE OF KNOWLEDGEABLE INDIVIDUALS REPRESENTING DIVERSE INTERESTS AND POINTS OF VIEW FOR DISCUSSION AND USE BY THE COMMISSION ON GOVERNMENT REFORM. THE REPORT DOES NOT REPRESENT THE VIEWS OR OFFICIAL POSITION OF THE COMMISSION, ITS COMMITTEES, OR INDIVIDUAL MEMBERS.

I. OBJECTIVE

Task Force III-2 was asked to develop a conceptual basis for defining necessary programs and for eliminating or reducing programs or limiting program costs. In meeting this objective, the task force felt it was essential that a conceptual basis be developed for establishing priorities for programs and for decisions as to which programs should be funded for expansion, maintenance, or reduction.

The Task Force recommendation includes two proposals designed to assist both the state and local governments in achieving this objective. The first is an analytical structure upon which programs can be evaluated (see II). The second is a recommended change in the governmental process within which programs are evaluated (see III).

II. PROPOSAL FOR ANALYTICAL EVALUATION

There are many bases for defining what is necessary. These range from beliefs about the relative efficiency of the public and private sectors to traditional and new budgeting techniques.

While these current bases for defining necessity have considerable value, a recurring criticism of need statements is that they do not adequately distinguish among priorities. Similarly, they tend to remain unvaried even when the societal conditions which gave rise to the need statement have changed. Thus, both the PPBS and ZBB (Planning, Programming and Budgeting Systems; and Zero-Base Budgeting) reforms focused in part on more accurate and timely statements of needs and priorities.

Statements of need tend to be considerably more ambitious than the current funding capabilities or intentions of legislators. Such statements often describe goals, or ideal end-states, which cannot be achieved in the foreseeable future. One effect of defining necessity in this way is to legitimate the claims of program advocates for program funding which may be unrealistic in terms of the public's ability and willingness to pay, or in terms of the priority of one particular program over another. The gap between professed need and actual governmental performance can encourage a frustrated belief that government is less effective than it really is.

This is not to say that need statements are the most important factor in governmental allocational decisions. The task force recognizes that formal statements of need are frequently less important in allocational decisions than the informal beliefs and knowledge of elected officials.

A. Proposal:

Government should encourage a more balanced and comparative view of needs.

One way of doing this is to categorize the priority of values which programs are intended to serve. Protection against immediate threats to human life is usually considered to be more important than long term economic or cultural development.

(1) Levels of Need:

Another kind of distinction is between levels of need within a single category of need. A simple definition of levels is:

Core - A core need is the simplest and most basic level at which a program can function. It is the minimum level expected and required by society for that program. This concept is similar in some cases to the ZBB term "minimum level", at which a program probably should not be continued because funding is inadequate to allow it to make a meaningful contribution toward fulfilling its basic objective. If a fire department were unable to respond to all calls, its core level of need would not be met. If a hospital could not treat at least serious emergency cases (recognizing that there would have to be some standard for distinguishing between serious and less serious cases), it would not be meeting its core need.

Core programs should be truly available to all persons they are designed to reach.

Selective Core - A selective core need is a service which is extremely vital to some subsection of the community or to some geographical area, but which is much less important elsewhere. Examples of selective core needs are: bus service to low income neighborhoods (again, recognizing that a workable distinction between low income and other neighborhoods has to be made); plant disease research which serves farmers, but not necessarily backyard gardeners; and, access ramps to public buildings which are used by the wheelchair handicapped.

Desirable - A desirable level of need fulfillment is the most complete level of fulfillment under current funding and societal conditions. Because conditions may change, program activities which fall into this category are susceptible to redefinition. When gasoline tax revenues fell and some highways were dropped from an active construction planning status, they became optional or ideal projects. This is not to say that they were no longer needed in some sense of that term. A legislative decision to add funding to state hospitals is de facto recognition of a desirable level of need.

Optional/Ideal - An optional or ideal level of need is one which extends beyond current funding or program capabilities. Sometimes there are technological reasons why ideal needs cannot be met, or met cost effectively. For example, there is a generally recognized need to return to renewable and non-polluting energy sources; but, costs and technology make the complete realization of this need in the near future impossible.

The advantage of the above categories is that they facilitate the comparison of very different types of programs. If a police program is operating at a desirable level but mosquito abatement is not, some resource shift may be indicated.

By combining these four levels of need concepts with a hierarchical ordering of categories of need, an even more useful evaluation matrix can be formed. Figure A illustrates this matrix.

(2) Needs in Time Frame:

Priorities in categories and levels of programming will need to be considered in relation to the time elements

involved. A need may be urgent, on the near horizon, or may be weighed as a certain but more distant threat. Consideration of time elements in setting of priorities will be essential if government is to avoid functioning constantly in response to immediate crises.

The chart, Figure A, "Needs Evaluation Matrix", should be prepared for a number of budget years ahead, in order to permit the consideration of priorities over a longer time frame.

(3) Categories of Need:

The categories of need listed in Figure A (like the levels of need) will in practice require further definitional refinement. It is understood that, though most categories represent roughly departmental divisions of responsibility, priorities for funding will cut across departmental lines. The state's efforts to protect life, for instance, may give a high priority to only certain functions (e.g., health, law enforcement, highways and water resources) leaving other functions in those areas at lower priorities.

Life Threat - (a) Immediate (distinct from preventive, e.g., emergency hospital care);
(b) Near (e.g., flood prevention);
(c) Long range (e.g., under-nourishment).

Personal Safety and Health - These programs also deal with life-threatening conditions, but not ones which are immediate. Programs meeting this need often reduce the statistical incidence of a threatened situation. Examples might include food stamps, traffic safety, courses in first aid and hygiene, preventive police patrols, abatement of disease-carrying insects, and various health, welfare and social service programs.

Security of Property - Among programs meeting this need are ones dealing with police and fire protection, prisons, consumer protection, and zoning.

Education - Without a high level of literacy, modern society would be unable to function properly; additionally, education has been assigned sociological tasks that have assumed an equally high degree of importance to society. Educational programs often serve a variety of other need categories, and it may be more convenient and useful for analysis purposes to categorize these programs more specifically.

Economic Enhancement - While the private sector is generally viewed as the main "engine" for economic enhancement, there are some areas where it cannot operate well without government aid. Some research programs, vocational training, trade promotion and job placement activities are generally undertaken for reasons of enhancing the health of the economy.

Comfort and Convenience - Many activities contribute to the comfort and convenience of the public. Often, basic program activities fall into other need categories. Mosquito abatement is undertaken primarily for health reasons, but when abatement is carried out at a particular level of thoroughness, the need being met is no longer one of health, but one of comfort. Expenditures to air condition buses, or to put driver's license testing and examination facilities closer to where people live, are convenience expenses.

Personal Development - Cultural and recreational programs, including some adult education, fall into this category. Another example is the staffing of a visiting nurse program so as to provide some time for talking to a lonely client.

The use of the above categories in the matrix form will be discussed below.

B. Application of this Proposal:

Three points should be stressed at the onset:

- (i) This matrix is not seen as a substitute for the considered judgment of elected officials or for traditional budgeting techniques.
- (ii) The matrix is intended to stimulate comparative discussion of programs. It is not intended as a mechanism to "force" certain decisions. Specifically, it may be more important to meet core Personal Development needs than to meet desirable or ideal levels of Life Threat programs.
- (iii) The matrix should be developed only to the extent that it proves useful. PPBS and ZBB were intended to stimulate a thoughtful consideration of priorities and effectiveness. Both engendered so much paperwork (program definitions, administrative reorganization, accounting changes) that this rote work tended to overwhelm thought.

With these limits in mind, the following applications are potentially worthwhile.

(1) Administrative:

Executive heads of programs should seek a clear understanding of core and selective core programs. This could result in some shifting of resources within and between programs. If programs A and B meet the same need, but one is working at only the core level while another is well funded at the desirable level, a shift in resource allocation is possibly warranted. Conversely, a realization that there is a disparity in funding will assist in explaining to clients of the better funded program why expansions are unlikely. It can also be useful to explain to the public that (if it is indeed the case) only a small percentage of funds are being used for activities beyond the core range.

(2) Analytical:

Proposition 13 has created a situation where traditionally local programs are being heavily supported with State funds. Education is a good case in point. If, by common standards, programs in some section of the State are operating at a desirable level while elsewhere core needs are not being met, the matrix framework should assist in bringing such conditions to light. This is true within a single program (K-12) or across program and organizational lines. Such comparisons are important because traditional budget analysis and evaluation techniques do not lend themselves to such comparisons.

(3) Legislative:

Elected officials at all levels could use administrative and analytical inputs to improve resource allocation. In the past, when programs have been deemed efficient and cost effective, their funding levels have usually been continued or enlarged. However, if one program is considerably more cost effective than another (even though both are cost effective), an improved comparison of programs could lead to a more effective use of resources. Identification of duplicative programs may also become easier. For example, different legislative units often handle the budgets for police and for park and recreation programs. When both programs sponsor sports for youth, a personal development need, there is an open invitation to review the duplicative nature of the activities.

As noted above, traditional analysis of program efficiency and effectiveness (or even non-traditional ZBB) are compatible with the matrix approach.

The matrix can and perhaps should be applied selectively. There is no reason to cram every aspect of each program into a category. (In fact, the matrix in Figure A shows a miscellaneous category which is appropriate when a program does not fit elsewhere, and is not large enough to be worth the trouble of creating new categories or twists to a definition.) An example of a selective application is a comparison between desirable levels of education and health programs in a community, or between two programs which meet the desirable level of need in a particular category (air conditioning buses versus a desirable level of pollution control).

Over a period of time, legislative bodies should adopt guidelines for new and existing programs which delineate levels and categories of need.

III. PROPOSAL FOR LEGISLATIVE AND BUDGET REFORM

While this task force has been directed to consider a conceptual basis for defining needs, we cannot ignore the process within which such definitions occur.

At the State level, an annual budget process was initiated at a time when both the population and the scope of government were undergoing dynamic growth. A yearly budget lent itself to rapid responses to changing conditions. Under current conditions, especially those resulting from Proposition 13, such growth should not be expected. Among the possible insitutional and constitutional responses to Proposition 13 which should be considered is a return to a biennial budget.

This would allow more time for a concentrated review of needs. Budget hearings could take place from January of July of even-numbered years, and policy legislation would be heard at other times. With the exception of urgency statutes, new programs would not take effect until they are included and funded in the subsequent state budget.

Another reform would be to have standing policy committees serve as the budget subcommittees. A member of each policy committee would serve as a representative on the fiscal committee. This would reduce the number of instances when needs are expressed unreservedly by policy committees and in new legislation, but where there is little possibility or intention to fund a new program up to the level of expressed needs.

A. Proposal:

- (1) Retain the two-year legislative session.
- (2) Provide that the State budget is a two-year budgetary document, to be adopted every other year.
- (3) Budget hearings and adoption will take place from January to July of even-numbered years. The budget period would include July of even-numbered years through June of the following even-numbered year.
- (4) Policy legislation will be introduced and enacted during the odd-numbered years only. No policy legislation will be introduced during even-numbered years, with the exception of special sessions for the purpose of resolving emergency situations. New programs, with the exception of urgency statutes, will not take effect until they have been included and funded in the subsequent State budget.
- (5) The legislature will adjourn for the purpose of interim hearings in July of even-numbered years.
- (6) Standing policy committees will serve as the budget committee (i.e., serve in a similar capacity to the current fiscal committee subcommittees). A member from each policy committee will comprise the membership of the fiscal committee.

B. Application of this Proposal:

- (1) Problem: The Budget Cycle - The State budget cycle is for a relatively brief period. It is subject to volatile annual adjustments. New programs are difficult, if not impossible, to evaluate as their implementation has just begun when the subsequent year's budget is being prepared, reviewed or adopted. The budget does not carry the full year cost of new programs. This inaccurately camouflages the cost of government and programs.

Application - A two-year budget cycle will give adequate time for program planning and implementation. The legislature and public will be better able to follow state programs and service levels. Local governments may prepare more rational budgets as they implement state programs, as they will have state budgetary information available at the time of budget preparation (at least in even-numbered years). Changes may still take place, but basic service levels will be known and planned for. The alleged unnecessary expenditure of year-end surpluses

to justify subsequent year's budget is reduced. The fiscal complications created by a short first year for a program or the need for a longer startup time will be reduced or eliminated.

Program evaluation can be substantially improved as analyst and finance and operating department staff will have specific periods for thorough program review and evaluation. This will be particularly beneficial for the evaluation of new programs. The legislature will be able to give a significantly higher standard of review to departmental budgets.

- (2) Problem: Legislative Backlog - Too many bills are introduced during a two-year legislative session. Tremendous backlogs are created in fiscal committees as bills must await the completion of budget action. Major policy issues are considered within an unrealistic time frame which results in irrational decisions both as to procedure and policies. Numerous bills with fiscal implications are referred to the "suspense file" to await final budget action. The practical fate of many fiscal bills is determined through "closed door" actions on "suspense file" items.

Application - A system of alternating a budget session with a regular "bill" session will reduce the number of newly introduced bills. The proper review of policy bills no longer will be adversely affected by budget review deadlines. Likewise, the budget review process will be substantially improved as it will not be hindered by a backlog of legislation. The "suspense file" can be eliminated as general funding levels will be known at the time legislation is being considered. (Obviously, mid-budget cycle adjustments will have to be made as actual experience becomes available. This will not approach the magnitude, however, of a full budget cycle.) Special sessions can be called for the purpose of resolving critical emergency situations during budget years, to be held concurrently with the budget session. The "election-year-politics" effecting legislation will be reduced, as legislative sessions will not take place in election years. More adequate time periods will be available for interim hearings.

- (3) Problem: Program versus Fiscal Responsibilities: Legislative policy issues are considered outside of the budget process. New policy and programs are developed and reviewed by standing legislative policy committees, while program evaluation and ongoing funding for new and continuing programs is approved by the legislative fiscal committees. There is a critical need to rationalize this system by combining policy and finance within a common system.

Application - Policy committees will serve as the budget committee within their respective program areas during budget years. In this way, legislators responsible for developing and modifying new and existing programs in odd-numbered years can follow this through with the commensurate fiscal review during even-numbered years. It will still be necessary to have a fiscal committee to pull the budget together into a single document. With a member of the policy committee serving as the member of the fiscal committee, however, the continuity of program decisions will be carried forward into the overall fiscal deliberations. The workload on the policy committee representatives will not be too great due to the separation of the budget and policy sessions, as well as a result of the increased opportunities available for better legislative scheduling.

FIGURE A
NEEDS EVALUATION MATRIX

| | Core | Selective Core | Desirable | Ideal/ Optional |
|-------------------------------|------|-------------------|-----------|--------------------|
| Life Threat | | | | |
| Personal Safety and Health | | | | |
| Security of Property | | | | |
| Education | | | | |
| Economic Enhancement | | | | |
| Comfort and Convenience | | | | |
| Personal Development | | | | |
| Miscellaneous | | | | |

The seal of the State of California is a circular emblem. It features a central figure, a Native American, holding a bow and arrow. The text "THE GREAT SEAL OF THE STATE OF CALIFORNIA" is inscribed around the perimeter. The word "EUREKA" is visible at the top.

(916) 445-8582
State Capitol, Room 1145
Sacramento, CA 95814

U.S. GOVERNMENT
LIBRARY

APR 2 1979

UNIVERSITY OF CALIFORNIA

T0: Committee on: Proposition 13 X Expenditures
 X Tax System Organization

SUBJECT: Report on Project No. II-1, 3, 4, 10; III-5
LOCAL NON-PROPERTY TAXES, USER FEES, AND SERVICE CHARGES

The Commission Staff wishes to offer the following comments on this report:

By

Roger C. Anderman, Special Assistant to the Chairman

cc: Other Commission Members
Staff (3), Files (2), State Library (3), Task Force Members (15)

SECTION TWO

Legal Limits on Imposing Fees

I. Introduction

Fees are charges that are imposed generally to fund a specific activity, facility, or service. However, no definition of a fee that is meaningful is readily available. Also, the restrictions on the use of fees are difficult to pin down.

Defining the characteristics and restrictions on the use of fees is important, since fees are increasingly viewed as a funding source to offset revenues lost due to Proposition 13. Under Proposition 13, certain new taxes must be approved by 2/3 of all voters before the tax can be imposed. However, if a levy is classified as a fee, it will not be subject to this difficult approval requirement, and will therefore be much easier to impose.

This section discusses the distinction between a fee and a tax, based on existing case law primarily from jurisdictions other than California. In addition, this section discusses the legal limits on imposing fees. Both types of fees - exactions from new development and user charges - are discussed. Finally, some recommendations for legislative action are proposed.

II. Distinguishing a "Fee" From a "Tax"

A. California Case Law

There has been a conspicuous absence of discussion in California defining fees and taxes. Since most statutes authorizing imposition of "fees" do not define the term, we turn to the common law. California cases have rarely approached the problem. Many cases do not carefully distinguish between the two levies.

In *Weekes v. City of Oakland* (1978) 21 Cal 3d 386 for example, the California Supreme Court notes that the City of Oakland uses the terms interchangeably. The court said at p. ____: "In the ordinance itself, the

levy at issue is described as a 'license fee' and the city refers to it as an 'occupation' or 'business' tax." The court then refers to the Oakland levy as both a "fee" and a "tax" throughout the opinion, without clarifying the factors defining each levy. For example, the court concludes, "that the fee is what it purports to be, namely an occupation tax substantially resembling the type of municipal license fee long approved by us..." (p. ____). This failure to distinguish fees from taxes is in spite of the fact that the issue in the case is whether this "license fee" is a municipal tax "upon income" prohibited by Revenue and Taxation Code, Section 17041.5.

Weekes does make one important point that assists the effort to statutorily define a fee. The court noted that the legislative designation of a particular tax, though persuasive, is not determinative as to its nature. "The character of a tax is ascertained from its incidents, not its label. (citations omitted)" (Weekes at p. ____). The nomenclature used by the legislative body is of minor importance, for a court will look beyond the mere title or the bare legislative assertion to see and determine the real object, purposes and result of the enactment. (citing Flynn v. San Francisco (1941) 18 Cal 2d 210, 214-5)

Two early cases attempt to distinguish between fees and taxes. In Fatjo v. Pfister (1897) 117 Cal 83, a "fee" was charged by the county clerk upon filing of an inventory and appraisal of an estate. The fee was graduated according to the value of the estate. The Supreme Court invalidated the "fee" because it was actually an ad valorem property tax, since the ad valorem charge varied with the value of the estate, but the compensation for the services of the county clerk were the same for every estate, large or small. (Fatjo supra p. 85). Thus, an initial factor for measuring a fee is that it reflect the cost of providing the services by the government agency.

Another case that characterizes fees as costs of services is County of San Diego v. Milotz (1956) 46 Cal 2d 761. The court distinguishes between fees and salaries for court reporters, and notes that a "fee" ordinarily constitutes payment for the performance of a particular service (Milotz at p. 769). While the case does not distinguish fees from taxes, but instead distinguishes fees from salaries, the notion of payment for services may be a valuable one in defining a fee.

In Pacific Gas and Electric Co. v. State of California (1931) 214 Cal 369, a graduated fee structure for the "service" of filing certificates for increase in capital stock was upheld. The fee amount depended on the value of the stock. It was attacked as an excise tax, since it was arguably not related in any manner to the cost or value of the services performed by the Secretary of State. However, the graduated fee was upheld because it was a charge imposed upon domestic corporations as a condition of doing business in the State, and such reasonable conditions were within the power of the State. It is part of the "purchase price" which the State charges for the privilege of doing business, and as such is a legitimate fee. (Pacific Gas and Electric Co. supra p. 375-7). Such a fee may not be imposed by the State unless it is specifically authorized by statute, even if the previously existing statutory authorization was inadvertently omitted by a statutory amendment. McCann v. Jordan (1933) 217 Cal 506, 508.

Few rules emerge from other cases. In Flynn v. San Francisco (1941) 18 Cal. 2^d 210, a license fee was imposed on every person owning a truck, wagon and other named vehicle, based on the size and type of the listed vehicle. A license tax was imposed on every person owning a public passenger vehicle, based on seating capacity. The court did not differentiate between "fees" and "taxes", but instead treated both as if they were taxes. It then determined that both levies depended entirely on "ownership", not on use or operation of the vehicle. As such, the levies were taxes on property, not occupation taxes, and therefore violated the prohibition against double taxation since the local jurisdiction already taxed the vehicle by value as a part of the plaintiff's whole property (Flynn supra p. 214-5).

In Ingels v. Riley (1936) 5 Cal 2^d 154, a "Motor Vehicle License Fee Act" was challenged as to whether the act imposed a property or a privilege tax. Although the statute consistently uses the word "fee", the court implicitly assumes that "fee" is synonymous with "tax". It then goes on to distinguish between a privilege (or excise) tax, and a property tax on personal property. The court says at p. 159:

"Generally speaking, the function of a property tax is to raise revenue. Such a tax does not impose any condition, nor does it place any restriction upon the use of the property taxed. A privilege tax, although also passed to raise revenue, and as such it is to be distinguished from the license tax or regulatory charge imposed under the state's police powers, is imposed upon the right to exercise a privilege, and its payment is invariably made a condition precedent to the exercise of the privilege involved."

However, the court added:

"It is impossible to lay down any positive rule by means of which the character of any given tax may be ascertained."

This comment does not give encouragement to our current endeavor. However, the unwillingness of the courts to fashion a rule may spur a legislative effort, especially in light of Proposition 13.

The Ingels court's unwillingness to fashion a general rule did not inhibit it from developing ad hoc rules in that particular case. The court held that the mode of ascertaining the amount of the tax (here, a proportion of the value of the property used) does not conclusively determine the type of tax. Although this mode of measurement is characteristic of a property tax, other factors led the court to the conclusion that the fees were actually excise taxes for revenue purposes imposed for the privilege of using the highway. These factors were: 1) The charge is designated as a privilege tax on the statute itself. Although this designation is not conclusive, some weight must be given to it; 2) The tax operates to take effect only when a vehicle is used on the state's highways. It does not apply to stored vehicles or those used on private roads, and the charge is initially imposed only for the remaining months in the first year that it is due. As such, it is not a tax on the ownership of personal property; 3) Other factors derived from out-of-state cases were the fact that the highways could not be used unless the tax was paid, and that registration took place and plates were issued and displayed.

The Ingels and Flynn cases show that courts are willing to grapple with characterizing types of tax even though only on a case by case basis. The question that arises is whether one of the types of identified taxes is actually a "fee" because it has all the incidents of a fee except the name. Specifically, are some types of levies that are not based on either ownership of property or on the valuation of property classified as fees?

In Pesola v. City of Los Angeles (1975) 54 Cal App 3^d 479, the court was faced with classifying a city "license tax" on a racehorse. The court noted

at p. 484-5 that in Flynn, imposition of a levy was based solely on ownership, and hence was a property tax, while on Ingels the levy was based on using the highway, and hence was a true fee for a privilege or license (which could be used for both regulation or revenue). In Pesola, the levy was held to be a fee not a property tax, since it was imposed not just on the owner of the horse, but also on the person having custody or control of the horse. In addition, the ordinance said the levy was for the "privilege" of keeping the horse.

More importantly, the Pesola court noted that the city ordinance originally was entitled "Equine License Tax" but was changed in 1973 to "Equine License Fee". The court said at p. 484 n.5, this was a "distinction without a difference: for practical purposes these are the same and equivalent to each other".

This statement at first glance seems to say there is no difference between a fee and a tax. However, this is not true for two reasons. First, merely changing the name without changing the characteristics of the levy does not change it from a tax to a fee. The rule established by other cases is that the nomenclature given to a levy is of minor importance, but instead the nature of the charge should be determined by its incidents. If a change in name is all that distinguishes an earlier charge from a later charge, then the two levies indeed exemplify a "distinction without a difference". We, however, are concerned here with charges that have differing characteristics.

Second, in the post-Proposition 13 world, there is a significant legal effect distinguishing a fee from a tax. New fees can be imposed relatively easily, while new taxes are nearly prohibited. In the time since Pesola was decided in 1975, the laws governing levies have changed so much that today the difference between a tax and a fee is a distinction with a huge difference.

The above cases indicate a lack of a coherent rule. Since California cases have not fully explored the characteristics that define a fee and a tax, principles from other states and the federal courts must be referred to. We now turn to those sources to assist in formulating a rule for California.

B. Case Law in Other Jurisdictions

The distinction between "taxes" and "fees" is one that courts throughout the country have wrestled with for over a century. While no all-encompassing definition has been developed, courts have relied on various recurring criteria to make the distinction. These criteria, which are summarized in the chart below, fall into two broad categories: those relating to the CHARACTERISTICS of the levy and those relating to the AUTHORITY by which it is enacted.

Criteria for Distinguishing a Tax From a Fee

A. CHARACTERISTICS

| <u>Issue</u> | <u>Tax</u> | <u>Fee</u> |
|-------------------------------------|---|---|
| 1. Who is paying? | Many people, some of whom may not get any direct service. | Only those directly served. |
| 2. Amount paid. | Payment not necessarily in proportion to benefit; instead it is measured by an external factor, such as property value, income or sale price. | Payments measured in proportion to benefit; i.e. cost of goods or services in return. |
| 3. Who is primarily benefiting? | The general public, including those who are not paying. | The person who paid. |
| 4. What is the purpose of the levy? | To raise revenue. | To provide services or acts or to regulate activities. |
| 5. Type of benefit. | Indirect, not specifically identifiable, but instead for the good of the community. | Direct, specific, identifiable. |

| <u>Issue</u> | <u>Tax</u> | <u>Fee</u> |
|---------------------------------------|----------------------------------|--|
| 6. Compulsion to pay. | Involuntary. | Voluntary. |
| B. AUTHORITY | | |
| 7. By what authority was it financed? | Taxing power. | Police power. |
| 8. Legislative intent. | Legislative body intends to tax. | Legislative body intends to regulate or recover costs. |

The most consistently recurring of these criteria is one that the U.S. Supreme Court recognized almost a century ago. The Court held in an assessment case that taxation implies a "general" benefit to the citizens of the community and not a "special" benefit only for those who make a contribution (Illinois Central Railroad v. Decatur, 147 U.S. 190, 73 L.Ed. 132, 13 S.Ct. 293).

This distinction between a "general" benefit and a "special" benefit is one that numerous courts have used in subsequent cases. In Dickerson v. Jefferson County Board of Education, 225 S.W. 2d 672, 311 KY (1949), a Kentucky court made the "general"/"special" distinction. However, the court, recognizing the problem in separating the two, stated that in taxation any "special" benefit merges into the "general" benefit. If people other than, or in addition to, those paying are receiving benefits, then the levy is a tax (West Tenn. Flood Control and Soil Conservation District, 193 Tenn. 566, 247 S.W. 2d 56, 1952). Conversely, if some people who are paying are receiving no direct, identifiable benefit, then the levy is a tax.

Implicit in all of the above cases is that other charges, such as fees, are payments for specific, identifiable benefits inuring to the persons paying for them (Hanson v. Griffen, S. 2d 473, 1953).

Another factor used by the courts to distinguish between taxes and other types of revenue-producing mechanisms is to consider whether a particular levy has as its primary purpose the raising of revenue for the treasury, or, on the

contrary, whether it is enacted to cover the cost of services rendered. (Ganby v. Yates, 102 S.E. 2d 548, 214 GA, 17; Hanson v. Giffen, supra; Attorney General v. Wisconsin Constructors, 268 N.W. 238, 227, WIS, 279; Valandra v. Viedt, 259, N.W. 2d 560, (1977) ; Nitkin v. Administrator of Health Services of New York City, 399 NYS, 2d 162, 91 MISC 2d 478; National Cable TV Association v. FCC, 554 F 2d 1074, 1106 (1976).

A similar distinction has been made between levies to raise revenue versus those to regulate activities. In the fairly recent case of Broward County v. Janis Development Corporation, 311 So 2d 371, the Florida Supreme Court held that a levy enacted solely for the purpose of raising revenue, which gives the right to carry on a business without the performance of any conditions, was a tax and not a regulatory license fee. The court distinguished between the two, stating that a fee requires some condition as to the use of the funds collected, whereas a tax has no strings attached to its use.

Another recent case in Tennessee also stated that a distinction between a tax and a fee lies in the objectives which are to be achieved. If it is primarily for the purpose of raising revenue, then it is a tax. If it is primarily for regulating activity, then it is a fee (Memphis Retail Liquor Dealers Association, Inc., v. City of Memphis, 547 S.W. 2d 244, 1977).

Another distinction between taxes and other government levies is the element of compulsion versus voluntariness. Some cases have declared that taxes are enforced contributions to provide for the supports of government. Fees, on the other hand, have been characterized as voluntary payments for the privilege of receiving a particular service. They are not obligations (Thompson v. Wyandanch Club, 127 NYS 195, 70 MISC 200). The "voluntary" nature of a charge is not usually a helpful concept, since some fees fund specific services which are not "optional", but instead are required of the entire jurisdiction. Therefore, since all taxes appear to be compulsory,

but some fees may also be compulsory, then only if a levy is optional does it help indicate (but not resolve) whether it is a fee.

Once a levy is analyzed to determine which of the above characteristics are present, then it can be dubbed a "fee" or a "tax". Then a second step of analysis should take place: determining whether the jurisdiction has authority to impose that particular levy. To do this, look at the authority under which they were enacted. To be a tax, a measure must arise under the jurisdiction's "taxing power", whereas fees and other charges arise under the "police power" (Lamere v. City of Chicago, 63 N.W. 2d 863, 1947 ILL; Moots v. City of Trenton, 214 S.W. 2d 31, 1948 MO).

In the more recent case of Conlen Grain and Mercantile, Inc. v. Texas Grain Sorghum Producers Board, 519 S.W. 2d 620, the Texas Supreme Court stated that if the levy arises under the revenue-raising power (taxing power), then it is a tax (see also Nitkin v. Administrator, supra).

A related factor is to look at the intention of the legislative body enacting the ordinance or statute. While not controlling, legislative intent has been considered by the courts in distinguishing between taxes and other types of levies, as the California courts have pointed out.

C. Recommendations for Legislation

Legislation defining the characteristics of a fee should be developed and introduced. Such a definition should be modeled after the following language:

A levy imposed by all public agencies, including state agencies, local agencies, and special districts, shall be defined as a fee if it is characterized by all of the following:

- 1) The levy is paid by only those who receive direct services, goods or use of facilities as a result of the payment.
- 2) The amount of payment is measured by the cost of providing the services or goods received, or facilities used.

- 3) The person paying primarily benefits from having made the payment, since the person receives a direct, specific and identifiable benefit, even though the community as a whole may also receive an incidental benefit.
- 4) The purpose of the levy is to provide services, goods or facilities, or to regulate activities.

III. Legal Basis for Imposition of Fees

A. General Authority of Cities and Counties to Impose Fees

1. Cities

Cities have only the power conferred on them by the constitution or by statute. Cities are either one of two types - general law or charter.

General law cities have only those powers specifically conferred by the Legislature together with such powers as are necessarily incident to those expressly granted and those powers essential to carry out the purposes of the city. The powers of general law cities are strictly construed, so that any doubt regarding the exercise of a power is resolved against the city. Irwin v. City of Manhattan Beach 65 Cal 2^d 13, 20-21. Therefore, in order for a general law city to charge a fee, a state statute must specifically authorize such a charge.

Charter cities operate under different standards. Charter cities have all powers over municipal affairs, except as expressly limited by the charter itself. Listing in the charter the powers granted does not limit the charter city from exercising those powers not listed. Ruane v. City of San Diego, 267 Cal App 2^d 548. However, if a matter is not a municipal affair, it can be preempted by state law even though the law and charter conflict. (Const. Art. XI, Section 5, sub (a)). In determining whether state laws govern, it must be determined whether a general law has occupied the field to the extent that it has excluded local regulation. Charter cities, therefore, would generally have the power to impose fees to conduct any municipal affair, even though the charter did not specifically spell out the power to impose fees. These powers would remain intact until the legislature enacted a comprehensive statutory scheme evidencing an intent either to regulate the subject matter in question or to regulate fees on a statewide basis.

The following services and improvements are generally examples of "municipal affairs": sewage collection and treatment, streets, parks, reclamation of

land, construction and maintenance of public buildings, hospital services and construction, licensing and regulating of occupations, disposal of waste, furnishing of water (including construction of dams and other facilities), operation of public transportation systems, and the sale or distribution of electricity.

"Municipal affairs" do not include a scheme of public improvement that has a scope which transcends the boundaries on one city, including some of the services described above, such as sanitation, reclamation and public transportation. In addition, the following subjects are generally not municipal affairs: redevelopment legislation, improving public harbors, telephone communications, construction and maintenance of power lines, and providing schools.

2. Counties

Counties exercise only such powers as are granted by the state, since they are political subdivisions of the state. Counties, however, are also divided into two types - general law and charter.

General law counties have only the powers specifically enumerated by the Legislature. Such counties would have authority to impose fees only if specifically authorized by statute.

Charter counties, however, are not limited by the general law except as to matters of statewide concern where the field has been occupied by state legislation. Cal Const. Art. XI, Section 3 sub (g). Proper charter provisions have control over inconsistent general state law, but only those provisions authorized by the constitution can override general law. William v. McClellan 119 Cal App 2d 138. If a charter does not mention a matter for regulation, then general law controls. Anderson v. Lewis, 29 Cal App 24.

Therefore, with regard to fees, a county charter may specify that certain fees are authorized to be paid to an officer or employee as a part of his duty to be performed. To the extent that this does not conflict with an area

occupied by state statutes, such fees would be authorized. If the charter does not specifically mention such fees, however, they would not be implicitly authorized as an incident to performing other authorized functions. Therefore, county charters are not as broad as city charters because county charters must make specific statements asserting authority over the subject area of fees.

B. Fees as a Condition of Subdivision Approval

Fees are authorized to be imposed to fund various improvements as a condition of approving new development. The most common point this occurs is when a subdivision map is approved. The Subdivision Map Act allows all cities or counties to impose fees in lieu of exactions of land or improvements if the same tests for valid exactions are present:

1) There must be express or implied authorization for the exaction item to be funded by the fee; 2) There generally must be a proper local implementing ordinance (Government Code, Section 66411, and 3) The fees must be reasonably related to the project being approved.

1. Express or Implied Authority

The Subdivision Map Act expressly allows imposition of fees to fund several types of facilities:

• Drainage and sewage facilities can be funded by imposing fees for the actual or estimated costs of constructing those facilities planned (Government Code, Section 66483). Such fees must be fairly apportioned on the basis of benefits conferred or need created by this and other development in the area. The fee must not exceed the pro rata share if such costs were apportioned on a per-acre basis. The facility must be based on a plan covering a defined benefited geographic area. Any local agency within that area may charge a fee on property within that area to reimburse the local agency or subdivider constructing the facility (Government Code, Section 66488).

•Streets and other thoroughfares may be funded by fees imposed as a condition of approval of the final subdivision map (Government Code, Section 66484). Such fees must be based on a fair method of allocating costs to the area of benefit.

•Park and recreation facilities may be funded by in-lieu fees as a condition of approval of a final subdivision map, either separately or in combination with a dedication of land (Government Code, Section 66477). The local ordinance must have definite standards to determine the amount of any in-lieu fee.

It can also be implied from the requirements for consistency with local plans and mitigation of environmental damage, that fees consistent with those findings may be imposed. (59 Ops. Cal. Atty. Gen. 129 (1976)).

2. Limitations on Fees for Subdivisions

The most important factor in determining the size of a fee, or whether a fee can be charged at all is the relationship of the fee to the public needs created by the subdivision. Usually, fees to pay for physical improvements within a subdivision's boundaries are clearly upheld. More difficult are fees designed to benefit people other than the residents of a subdivision.

When determining what is a reasonable relationship between fees and benefits, it is permissible to consider benefits to both the general public and the lot owners. In Ayres v. City of Los Angeles, (1949) 34 Cal. 2d 231, a dedication of a street bordering the subdivision was upheld even though based on the following factors: 1) incidental benefits to the city as a whole would result, and 2) future as well as current needs were considered including future population growth.

In Associated Homebuilders v. City of Walnut Creek, (1971) 4 Cal. 3d 633,

the subject of in lieu fees for parks located near the subdivision was specifically considered by the court. The exaction of such fees is valid even if it:

- incidentally benefits the public other than those who live in the subdivision;
- is designed to meet future needs, not just present needs;
- is imposed only on a subdivision and not on other buildings;
- imposes greater exactions on high density development;
- raises the cost of housing, since open space is an important public purpose which by itself is not exclusionary.

Therefore, the requirement that a fee be used for a part that "serves" the subdivision (Government Code, Section 66477(c)), and that there be a reasonable relation between the fee and the development (66477(e)) is satisfied as long as the facility primarily serves the proposed subdivision.

Fees can be used if dedication is impossible, impractical or undesirable given the physical characteristics of the land. Fees are based on the fair market value of the land (in unimproved condition) that would otherwise be required to be dedicated. Norsco Enterprises v. City of Fremont (1976) 54 Cal App 3^d 489, 499.

C. Fees Collected with Other Permits

Many other permits other than subdivision approvals are required before a project can be constructed. These include rezonings, variances, use permits and building permits. These are permits granted under the state's police power, as delegated to the cities or counties. In California, this power is delegated in Article XI, Section 7 of the State Constitution, which says:

A county or city may make and enforce within its limits all local, police, sanitary, and other ordinances and regulations not in conflict with general laws.

The power to impose conditions on a rezoning was upheld in Scrutton v. County of Sacramento, (1969) 275 Cal App 2^d 412. In that case, a local ordinance authorized exaction of a street dedication before a request to

rezone for apartment purposes was approved. Presumably, if a fee was required before a rezoning would be approved, and the amount was reasonably related to the burdens imposed by the proposed project, such a fee would be upheld.

Use permits can also be conditioned, with the conditions usually stated in advance in the zoning ordinance. Building permits can also be conditioned because they are a license issued to regulate development under the police power.

D. Impact Fees

Impact fees are a charge on new development that straddles the boundary between a fee and a tax. Their ambiguous nature is reflected by their many synonyms - bedroom tax, business license tax, or new construction tax. Impact fees are usually imposed as a fixed rate per bedroom or per square foot.

These fees are different from exactions (and conventional fees based on exactions) in that exactions are usually limited to construction of physical facilities reasonably related to the project. Services (such as police and fire protection), maintenance of existing facilities, and construction of major off-site facilities are seldom provided by use of exactions or conventional fees.

Impact fees, however, are like development exactions in that they are imposed when a permit to develop is issued. However, initial efforts to impose impact taxes in California were invalidated because they were imposed as a condition of subdivision map approval, and the Subdivision Map Act did not authorize any fee not related to the subdivision's design and improvement, as then defined. Newport Bldg. Corp. v. City of Santa Ana, 210 Cal App 2^d 771, 776-77 (1962). Later cases upheld imposition of such a fee at the building permit stage, saying that it was analogous to a business license tax, since the city did not seek to regulate the issuance of building permits, but only sought to raise revenues to the city. Associated Homebuilders v. City of Newark, 18 Cal App 2^d 207.

In California impact fees are very much like general taxes. This is because the Newark case does not impose limits on how such fees can be used. Thus, the city can treat these as unrestricted general revenues, without showing that the funds will be spent to benefit the development (including a subdivision) from which they are derived. In addition, there appears to be no limit on the amount of the fee, instead it is limited only by what people are willing to pay.

The locality chose to impose the impact fee only on new residential construction, or only on commercial and industrial construction, at its option. The court in Newark upheld an impact fee on residential construction only when challenged as unconstitutional because such a distinction allegedly violated the equal protection clause.

E. Fees for Processing Development Permits

The service provided by local governments to process permit applications can be funded by fees. For processing a subdivision map (tentative, final or parcel maps) or complying with other procedures in the Subdivision Map Act, a reasonable fee may be charged (Government Code, Section 66451.2). In addition, CEQA authorizes a local agency to charge a reasonable fee to recover the estimated cost of preparing the environmental documents required by the Act (Public Resources Code, Section 21089, 14 Adm. Code, Section 15053(a)).

Building permits may be issued after payment of a fee (Uniform Building Code, Section 303). The UBC is applicable statewide, either by local adoption, or because of the locality's failure to act resulting in the automatic application of the Code within the area (Health and Safety Code, Section 17958). A local ordinance may require payment of a fee as a condition of issuing a building permit to defray costs of major thoroughfares or bridges, subject to the same conditions as subdivisions (Government Code, Section 66484).

F. Fees for Services and Facilities Provided by Public Agencies

The following types of services are specifically authorized by law to be

paid for by fees:

Enterprises Constructed and Operated Under the Revenue Bond Law of 1941

Fees and charges may be collected for the services, facilities, or water furnished by an enterprise owned by a local agency (Government Code, Section 54344). "Enterprise" includes improvements or undertakings used for water supply, garbage disposal, sewage treatment, parking, ferry systems, airports, harbors, hospitals, golf courses, and generation of electricity (Government Code, Section 54309). Such fees and charges shall, in general, be the lowest possible consistent with prudent management and allowing repayment of bonds (Government Code, Section 54514).

Fire Protection

Any public agency providing fire protection may fix and collect a charge to pay for the actual cost of installing and maintaining fire hydrants (Government Code, Section 53069.9).

Parks and Recreation

A city or county may charge an entrance fee for the use of park facilities, but such a fee for day use shall not exceed fee charged by the State Department of Parks and Recreation for use of similar facilities (Government Code, Section 50402). Also, a county may charge a camping fee for two or more persons over lands which the county has jurisdiction, for the purpose of providing sanitary facilities for campers (Government Code, Section 25826).

County Services Provided to Cities by Contracts

Those counties with greater than 6,000,000 population (i.e., Los Angeles), which contract to provide services to cities, shall charge the city only those additional costs which are incurred in providing the services, and not costs attributable to services made available everywhere in the county and not overhead costs. This section was upheld as valid in City of Los Angeles v. City of Artesia, 73 Cal. App. 3d 450 (1977).

Garbage Collection and Disposal

Each county may impose a reasonable charge against the property benefitted by the county's garbage collection service (Government Code, Section 25827).

It may also impose a fee for acquisition, operation, and maintenance of county waste disposal sites, as well as providing collection, processing, reclamation, and disposal services (Government Code, Section 25830).

A chartered city may pass an ordinance regulating rates for garbage services. Such an ordinance is both a police regulation and a taxing function. Since there is no restriction in the constitution or the city charter, a rate structure is valid even when it imposes charges on all citizens whether they use the service or not. Glendale v. Tronsden, 48 Cal. 2d 93

Parking

A city may impose a reasonable charge for off-street parking (Government Code, Section 54037).

Public Utilities

If a public utility is operated by a city, the city has the power to set its own rates, not the state Public Utilities Commission. Pasadena v.

Railroad Commission, 183 Cal. 526

This is true even where the

utility is furnished to residents outside the city. Durant v. Beverly Hills, 39 Cal. App. 2d 133.

Water Supply

In supplying water to customers outside a city's boundaries, the city has the same authority to set rates for outsiders as it does for its own inhabitants. A court cannot compel a city to charge the same rate to outsiders as it does to inhabitants, absent a showing that the charges for outsiders are unreasonable, unfair, fraudulent or arbitrary. Durant v. Beverly Hills, 39 Cal. App. 2d 133

Sewage Disposal

Counties may acquire, construct, and operate sewage collection and disposal facilities both inside or outside the county. The full costs shall be borne by the benefitted properties except to the extent federal revenue sharing funds are used. The county may collect compensation from public and private parties for connection to and use of such facilities. (Government Code, Section 25825).

County Service Areas

A county may fix and collect charges for a particular service, to cover all or part of its cost. (Government Code, Section 25210.77(a)). Such services include extended police or fire protection, parks, extended library service, and other miscellaneous services if not otherwise performed uniformly throughout the county. (Government Code, Section 25210.4). Water or sewer standby charge ("immediate availability charges") are also authorized. (Government Code, Section 25210.4) as are fees for waste disposal sites and services (Government Code, Section 25210.77(e)). Such funds are used to maintain, operate, extend or provide the services involved. (Government Code, Sections 25210.77(c) and (e)).

Community Service Districts

A district may prescribe and collect rates and other charges for the services and facilities furnished by it (Government Code, Section 61621). The purposes vary with each district, but can include providing water supply, sewage, waste and garbage disposal, fire protection, recreation, street lighting or construction, police and library services (Government Code, Section 61600). Water standby charges are also authorized (Government Code, Section 61765).

IV. Recommendations for Legislation

The following areas are ambiguous and could be clarified by legislation:

1. Statutorily distinguishing between a "fee" and a "tax". (See section II above.
2. Specifying the items that can be included in calculating a "fee".

For example, may a building permit fee include the costs of planning and zoning activities? Also, may an EIR fee under CEQA cover the costs of a prior, jurisdiction-wide master environmental assessment?

3. Spelling out the extent of the power to impose fees in lieu of subdivision exactions. For example, how far "off site" can the money for parks be used? Can sewer fees be used to develop trunk lines or treatment plants primarily serving other subdivisions? If so, is repayment required? Can fees be used to pay for arterial streets not bordering the site?
4. Indicating standards for imposition of impact fees (i.e., "bedroom taxes").
5. Stating statutory standards for fees that are presently authorized to pay for services and facilities provided by public agencies.

APPENDIX A

FEES AND CHARGES OF CALIFORNIA CITIES

I. Introduction

The purpose of this report is to present the findings of a survey conducted by the League of California Cities in August and September, 1978. The objective of the survey is to determine the extent to which various fees and taxes are used by California cities, whether they are being raised between the 1977-78 and 1978-79 fiscal years, the extent to which the corresponding categories of services are self supporting, create a surplus, or run a deficit, and the cities' perceived ability to raise taxes and charges. The stimulus for the survey was the passage of Proposition 13.

Sixty-five out of California's 417 cities were selected to be surveyed. Thirty-five of the 65 responded, a response rate of 54 percent. However, the response rates differ by city size. Four city size classes are defined on the basis of population. The sample sizes of cities surveyed and the response rates are presented in Table 1. At this point we should caution the reader that our results are tentative. Response rates to many questions are even lower than to the survey as a whole. This will become evident when we analyze the extent to which charges and taxes are changing between 1977-78 and 1978-79.

In the survey we inquire about 37 different fees and taxes. In this report we summarize the findings for 25 of these grouped into five general categories; Business Taxes and Charges, Land Use Development, Household Services Charges, Recreational, and Other (Public Safety). The categories were chosen because the charges were relatively important sources of revenue (e.g. Household Services and Business Charges) or the services which they encompass are highly visible and politically sensitive (e.g., Land Development, Recreation, and Public Safety).

In our subsequent discussion we analyze the extent to which charges are increasing, remain the same or are declining between 1977-78 and 1978-79. This is done by presenting the proportion of respondents that are not categorized as "Don't Know/Not Applicable" (DK/NA) that report fee charges. The DK/NA category includes those who do not use the charges and those for whom the existence of fee charges cannot be determined. The extent and variation in discernible response is determined by comparing the number of responses that do not fall in the DK/NA category for each fee with 35, the number of responses to the survey as a whole (Table 2).

II. Rate Changes

Of the responses for the various business charges and taxes, approximately 16 percent indicate that these are rising between 1977-78 and 1978-79. The

remainder indicate no change. There is some variation across the different charges. While approximately 25 percent of the responses indicate increases for the Transient Lodging Tax and Business License Tax, less than 10 percent indicate increases for the Franchise Tax and Property Transfer Tax. The number of non-DK/NA responses indicates fairly general use of these charges. Finally there is no general pattern of response by city size category.

Thirty percent of the responses for the various land use development charges indicates increases. The remainder indicate no change. Most responses indicating increases vary between 20 and 40 percent across the different charges. It is interesting to note that the proportion indicating increases has an inverted U relationship to city size. That is, the smallest and largest city categories have the lowest proportions indicating increases in charges, while the intermediate two size categories have the highest. This is a pattern that we will see again.

This overall incidence of rate increases is confirmed by the responses to the question: "Are special assessments being used to finance sidewalks, streets, sewers, and other improvement projects? Will their use be increased in light of Proposition 13?" Approximately 82 percent indicate that special assessments are used, and 29 percent indicate that there will be increases due to Proposition 13. The pattern of responses for increases again followed an inverted U relationship to city size.

The responses to the following question conflict to some extent with responses for specific development charges: "Are subdivision exactions or other 'contributions' required of developers being increased?" Overall 59 percent indicate that these exactions are being increased. This conflicts somewhat with the 43 percent that indicate that subdivision fees are being increased. Increases by city size varied from approximately 33 percent for city size categories 0-29,999 and 50,000-89,999, to 89 percent for 30,000-49,000, to 75 percent for the largest cities (90,000 and over).

The number of responses in the DK/NA category for Household Services Charges is larger than the previous two categories. Many of these are Don't Know in the sense that we could not determine whether the service charge is used and whether it is increasing. However it is evident that few cities provide their own gas or electricity and few sell refuse. Most of the responses refer to refuse collection and various water and sewer charges.

Approximately 30 percent of the non-DK/NA responses indicate increases in Household Service Charges. These vary across service categories from roughly 40 percent for water service charges and refuse collection, to 25 percent for sewer service charges and electric service charges, and finally to 17 percent for sewer connection.

The smallest cities have the lowest response rates for rate increases for refuse collection. However for the various sewer and water charges the percent indicating rate increases exhibited an inverted "U" relationship to the city size categories. Again the largest and smallest cities indicate the lowest incidence of rate increases.

For Recreational Services (including libraries) approximately 18 percent of the responses indicated fee increases. This occurred primarily for recreational fees with no change for park fees and libraries. Again the incidence of fee increases exhibits an inverted U relationship to city size for recreation fees.

The public safety category is composed of special police and special fire services. Overall, 25 percent of the responses indicate fee increases. These occur entirely in the intermediate city size categories with no fee changes in the smallest and largest size categories. This category is not indicative of the public safety sector in general, but only represents peripheral services.

III. Extent of Service Self-Support

The results are poor for the extent to which various service categories are self-supporting. There is a higher incidence of DK/NA answers, and expenditure data are not available for many categories. In general it appears that bookkeeping and budgeting are not geared to determine the extent of self-support. This suggests that it is not a criteria generally used in budgeting decisions.

An exception is the category of Household Services. Responses indicate that self-support is more prevalent in these services and is a more important consideration in budgeting and fee determination. Self-support in this category has the greatest occurrence, with less than self-support second, and surpluses have the lowest incidence.

IV. Ability to Increase Fees

It is difficult to reach clear conclusions about the cities' perceived ability to increase fees and taxes. Some respondents interpret the two-thirds voting requirement to raise taxes under Proposition 13 as a loss of local control, while others interpret it to mean the opposite. No local control exists when a charge is under state or county jurisdiction (e.g., the property transfer tax). Competition from other areas is mentioned as a limitation on business charges and taxes. Some cities mention that they have no vacant land for expansion so that land development fees and their increase are not feasible sources of revenue. These respondents often suggested that sales tax revenue should be distributed on a per capita basis. Finally, public resistance is mentioned as a limitation on fee increases.

V. Revenue Sources From Fees

The revenue data are poor. But of the responses summarized, Household Services was the greatest source of revenue with Business Charges and Taxes second. We should note that vehicle code fines is often a significant source of revenue, although that category was not chosen for our summary.

VI. Conclusion

Our general impression is that there is a low to moderate incidence of fee increases between 1977-78 and 1978-79. In some categories the incidence is higher, for example some household services and land development fees. The incidence of fee increases follows an inverted U relationship with city size with the lowest incidence in the smallest and largest size categories and the highest in the intermediate ones. In general, accounting and budgeting procedures do not seem to have self-support as a decision criterion. Perceptions of the ability to increase charges are varied with public opinion and competition for businesses with other areas being mentioned.

We cannot tell the extent to which fee and tax increases are due to the passage of Proposition 13. Some have escalators tied to price indexes. Also the 1977-78, 1978-79 fiscal years can be considered a transition period for adjusting to Proposition 13, and it may be too early to discern clear patterns of change.

Table 1
RESPONSE RATES BY CITY SIZE

| <u>City Size (Pop.)</u> | <u>Total Surveyed</u> | <u>Responses</u> | <u>Percent Responses</u> |
|-------------------------|---------------------------|------------------|------------------------------|
| 0-29,999 | 21 | 12 | 57% |
| 30,000-49,999 | 10 | 9 | 90 |
| 50,000-89,999 | 12 | 6 | 50 |
| <u>90,000 and more</u> | <u>22</u> | <u>8</u> | <u>36</u> |
| TOTAL | 65 | 35 | 54% |

LONG RANGE PLANSREVENUE

Sewage Fees to Relate to Use of System
Review Utility Franchises
Review Building, Engineering, Plan Checking Fees
Street Light Assessment Districts
Audit Fee Collections
Surtax on Corporate Profits
Feasibility of a City Lottery
Abolish Cash Basis Fund
24-Hour, 7 Day Parking Meters
Increase Traffic Patrol

HUMAN RESOURCES

Senior Center Projections
Medical Exams, Workers' Comp
No Funding to Churches
Reorganization of Recreation Programs
Health Department to Alameda County - Transfer, Don't Transfer, or Compromise
Establish Division on Aging in Mayor's Office
Create Human Resources Department

MUNICIPAL SERVICES

Review Supervisor Position in Electrical Division (Public Works)
Consider Transferring 2 Traffic Maintenance Workers to Street Maintenance
Preferential Parking
Gardening at Bowling Green
Find Funds for Blue Curb Program

MANAGEMENT AND BUDGET

P.G.&E. Report on Purchasing
Allocation of Workers' Comp Losses to Departments
Transfer Economic Planning Function to Redevelopment Agency

PUBLIC SAFETY

Consolidate Communications Systems
Civilianize Some Police Functions
Smoke Alarm Ordinance
Sell Smoke Alarms
Remove and Sell Fire Alarm Boxes
Use Fire Houses for Community Purposes
Municipal Fire Insurance
Charge Cal and Bart for Fire Services
Outside Management Study of Police and Fire

HOUSING

Earmark CDBG Loan Repayments
Evaluate and Reorganize Housing Department
Transfer Program Planning and Evaluation Unit to City Manager's Office

GENERAL

More Outside Studies
Renegotiate Contracts
Establish a Commission on Disabled
Establish Coordinators in City Manager's Office for Various Program Areas
Investigate and Expand Job-Sharing Program

WHAT IS THE WORK IMPROVEMENT PROJECT?

WIP (the Work Improvement Project) is an independent agency, sponsored jointly by the Civil Service Association, Local 400 SEIU, and the Mayor's Office of the City and County of San Francisco. (*) It is funded by contributions from both City and Union, and additionally by a federal grant administered by the California Intergovernmental Personnel Act (IPA) Program. WIP represents a commitment, by the Union, to work to improve the quality and efficiency of public service; and a commitment by City management to listen to the workers, to accept labor participation in work improvement.

Why is the Union doing this?

Especially since the passage of Proposition 13 such concerns as maintaining and improving the quality of public services, preventing waste, increasing non-tax revenues and improving increasingly stressful working conditions have become more important to Local 400. The WIP project allows it to address such issues, which are normally excluded from the collective bargaining process. It is an organizing tool to help solve work unit problems, save jobs, defend services and build a stronger alliance with the community. Without efforts like this project, government's ills all too easily get blamed on the workers.

Why is the City doing it?

Some City managers understand that workers have important insights into how public services can be improved. Some recognize that worker support is very important, even necessary, if work is to be reorganized to provide better and more efficient public services. No improvements in the way the City does its work will ever stick unless they have strong support from the City's workers.

How does WIP work?

Within a particular workplace, the WIP facilitators assist management and workers in sitting down together to discuss problems in the way a unit is operating (or failing to operate). Commitment to the project is obtained from both top management personnel and the employees in the work unit. Vital information is shared with all involved, and participation is sought from all to reach a consensus both as to the kinds of problems and as to the solutions needed, specific actions to be taken, procedures to be established, and so on. Methods employed include labor/management committees, surveys and group meetings. This process may take three to five months in a given department.

More generally, WIP provides a link through which union and management may cooperate in addressing common concerns in a coordinated manner. As such, it functions both in the sphere of unit and departmental operations and work organization, and in specific cooperative efforts to resolve problems and get things done in and for the City. Additionally, participation of "consumer" groups in the community served is sought where appropriate..

* Under the terms of a recent strike settlement, the San Francisco Housing Authority also agreed to participate with Local 400 in a WIP project, to seek to solve the problems which led that strike.

How does WIP differ from other management improvement projects?

The work problems are addressed together by those who know them best, those who must implement any solutions: the employees managing and performing the work. Outside resources may be used but responsibility remains in the department. While specific changes, actions, written policies and so on are produced, the process of dialogue and the impact of the concept of the WIP process itself appear also to be factors in improved performance. Other projects usually bring in experts to tell employees how to do a better job; in the WIP, the employees themselves become the experts. WIP's "democratizing", "collaborative problem-solving" method generates increased worker freedom, responsibility and self-respect instead of submission, dependence and demoralization. As a result, the WIP process is more effective in getting the support and cooperation of employees and their union.

How does WIP affect Union/management relations?

The WIP walks a fine line to maintain the participation of both labor and management; it limits neither management's responsibility to manage nor the Union's responsibility to take other action as required. If the parties cannot address a problem cooperatively through WIP, they handle them by more traditional methods. By the intervention of WIP, however, City workers and their union and City management develop the ability to work together for goals they have in common.

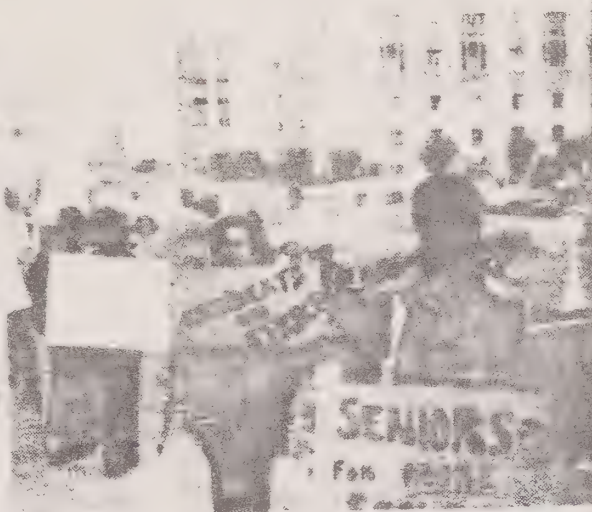
Other facts on the San Francisco WIP: For several years Local 400 has worked (or tried to work) with City management to address workplace problems which are unions concerns. This included a labor/management committee in the Medical Records department, identification by City workers of revenue sources under-utilized by management, etc. In mid-1979, the Union and Mayor Feinstein agreed to establish a formal cooperative project, and both committed staff resources. Then more funding was obtained through state and federal sources. Now, in January 1980, WIP is going through a process of expansion and consolidation: concluding WIP projects in General Hospital's Medical Records and Radiology departments and in Social Services' Assistance department, beginning projects in Health Department billing systems, preparing for other City and Housing Authority projects, and employing and training new staff. In addition to the contribution of support by City workers and their union and by City management, WIP resources will shortly include four facilitators and a project director.

Further information can be obtained by contacting WIP personnel at 821-8501 or at 673-8755 or by writing WIP, c/o CSA Local 400, 240 Golden Gate Avenue, San Francisco, Ca., 94102.

*This is the draft
of our most recent
project about the
project*



(Below) Local 400 members and tenants on strike together on the steps of City Hall. (Left) The worker/tenant alliance gave the strike needed muscle.



Housing Authority Strike Victory

In a dramatic strike conducted from October 22 to November 7, 1979 Housing Authority workers showed that it is indeed possible to

unite clerical service, craft and police employees, to build an alliance with the community and to win a public sector strike.

The strike began when Carpenters set up picket lines on October 22, because negotiations for their raises were at a standstill. Local 400 members honored the picket lines, and then began their own strike October 29. On October 31 the Housing Police, recently organized into Local 400, also joined the strike.

The Public Housing Tenants Association also went on strike. For Local 400, though there were many issues on the table, the central issue was mismanagement. The strong ties between Local 400 workers and tenants gave both necessary strength. On November 6 a settlement was reached with all craft unions.

The Local 400 lines remained up and the strike continued. Then a settlement was reached by Local 400 on November 2, 1979. But the Authority still had not settled with the Tenants Association. The Local 400 membership decided, unanimously, not to consider ratification until the tenants had a settlement. Three days later all parties were satisfied.

This strike was unique because of the level of organization, the unity of the various groups of workers, the creative tactics used (such as a march to deliver to City Hall the garbage accumulating in the projects) and the strong labor/community coalition; most of all it was unique because the workers won.

WIP Program Spotlights Mismanagement and Waste

For the past few years Local 400 has been charging that City services are poorly managed and that money which can stop drastic cuts is instead wasted by this mismanagement. The union has, in several departments, established joint labor/management committees to give workers a role in cleaning up mismanagement.

Now, with the support of the Mayor's office and with funding from a federal grant, Local 400 efforts to give workers a role in improving City services are being expanded.

Union Representative Paul Johnston will, during the month of January, assume the position of Director of WIP.

WIP staff, to serve as project facilitators, will also be hired; interested persons should contact WIP through the Local 400 office.



The Local 400 strike settlement included three months back pay for all workers, equal treatment for CETA workers and settlement of several health and safety issues. Housing Police won the right to work in two-person patrols. In addition management agreed that there had been mismanagement in the Authority, and agreed to participate in a Labor/Management Work Improvement Project (WIP) to give the workers and tenants a responsible role in improving the Authority.

WIP Project

CASE HISTORY: Medical Records Dept., SFGH

Local 400 initiated the WIP project in the Medical Records Department at SFGH in response to letters, anonymous phone calls and grievance procedure requests from Medical Records personnel. The many and varied allegations indicated that the Department was disorganized and unable to fulfill its function at the hospital. Working conditions were such that morale was poor and there were instances of fist fights among workers. Medical Records management, who were perceived to be oppressive, were unable to rectify the conditions partly because of the hostility and alienation among the workers. Furthermore, the hospital was denied accreditation because of the deficiencies in the Medical Records Department.

The Union Business Representative, Pat Jackson, approached top hospital management and elicited their support to start the WIP project. She then approached Medical Records management and workers obtained their commitment to participate. A committee consisting of key management and concerned workers was formed. During its meetings the committee developed a survey designed to pinpoint major problems. After the survey was distributed and responses were compiled the committee then set about the task of making recommendations. The recommendations were ultimately submitted to the department head for approval and, if appropriate, implemented.

One year later the following effects were noted:

- The operation is improved and the Medical Records passed JCAH and the hospital has obtained accreditation.
- Management became more willing to see its deficiencies and deal with its problems. The existence of the committee impelled management to become more effective. They resolved many problems before the committee made its recommendations.
- Morale has improved - workers demonstrate pride in their work and concern for the quality of service their operation renders. Peer pressure has become a stimulus to encourage unproductive workers to perform.

:wpc/i
September 27, 1979

City and County of San Francisco

Department of
Public Health



San Francisco General Hospital
Medical Center
Administration
Tel. (415) 821-8100

October 1, 1979

Mr. Paul Johnson
Project Director
SEIU Local 400
San Francisco, California

Dear Mr. Johnson:

I am pleased to have the opportunity to write in support of the grant application for the Labor-Management Work Improvement Project.

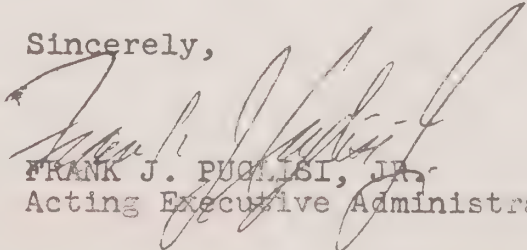
San Francisco General Hospital, in conjunction with Local 400, established a labor-management forum in mid-1978 in our Medical Records Department. It was recognized that this Department was experiencing considerable difficulty in maintaining its operation. As a direct result of this venture, the Department completely "turned around" and now operates as one of the best departments in the hospital.

Experiencing this success, we have since established three other such forums and planning two others. I cannot begin to explain the satisfaction I feel about labor and management "sitting down" together and working toward mutual goals. I would recommend these forums to all managers.

There are few rewards for employees in public service and, unfortunately, some jobs do not allow for career advancement. If employees are not allowed some measure of input in departmental decision-making, we create an unhealthy and, at times, intolerable condition. The labor-management forum approach affords all an opportunity to address and correct these situations.

I wholeheartedly support your organization's effort in this grant application. If I can be of further assistance, please do not hesitate to call on me.

Sincerely,


FRANK J. PUGLISI, JR.
Acting Executive Administrator

FJP:gdf

The following contract language is taken from the strike settlement agreement of Local 400's 1979 San Francisco Housing Authority strike:

STRIKE SETTLEMENT AGREEMENT

BETWEEN

Local 400, Civil Service Assn. (hereinafter
"Union") and,

San Francisco Housing Authority (hereinafter
"Authority")

18. WORK IMPROVEMENT PROJECT

- A. Union members and Authority management acknowledge that inadequacies of the Authority in service to the housing needs of residents of the San Francisco Housing Authority are a legitimate source of employee frustrations, and affirm their mutual intent to cooperatively seek to improve Authority operations. Management recognizes that Authority employees and residents possess valuable insight into problems and possible improvement in Authority operation, and further recognizes the necessity of employee and resident participation and cooperation in improvement of Authority work.
- B. The Authority and the Union agree to participate in a work improvement project (WIP), including participation of Authority residents. The WIP shall be conducted over a one (1) year period commencing January 1, 1980. It shall include both Authority wide workshops and departmental labor/management committees. The WIP shall be defined and conducted at each step by mutual agreement of the Authority, the Union and the Public Housing Tenant Association.
- C. The WIP shall be facilitated by WIP staff administered through the San Francisco Study Center, in a manner similar to the project now in place between the Office of the Mayor of San Francisco, and the Union. WIP staff shall be selected by mutual agreement of the participant organization.
- D. The Union and the Authority agree to work cooperatively with the Office of the Mayor of San Francisco to seek funding to provide staff and resources necessary for the implementation of the WIP.

8000945

U.C. BERKELEY LIBRARIES



C123314163

INSTITUTE OF GOVERNMENTAL
STUDIES LIBRARY
JAN 13 2025
UNIVERSITY OF CALIFORNIA

